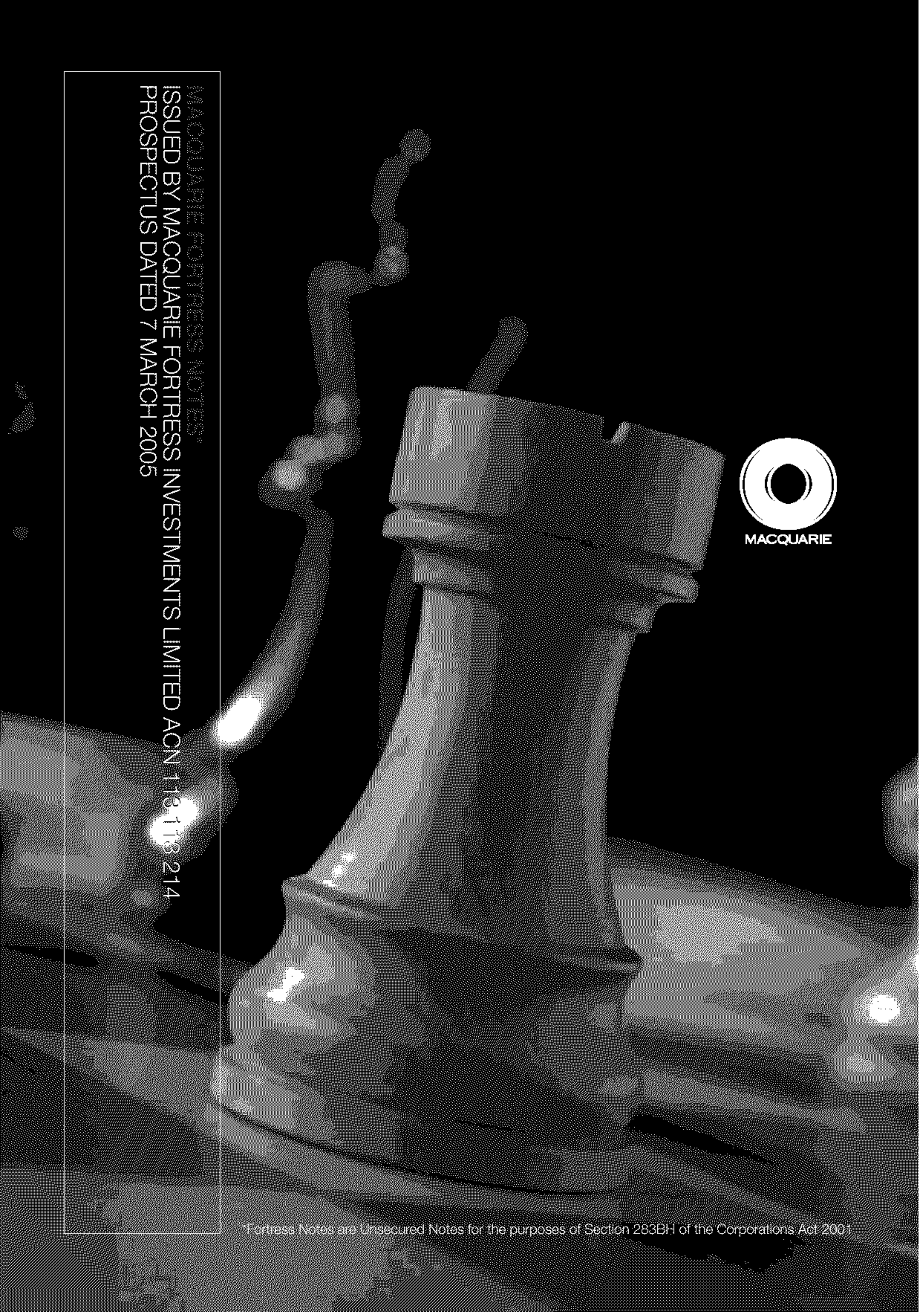


MACQUARIE FORTRESS NOTES*

ISSUED BY MACQUARIE FORTRESS INVESTMENTS LIMITED ACN 113 113 214

PROSPECTUS DATED 7 MARCH 2005

MACQUARIE

*Fortress Notes are Unsecured Notes for the purposes of Section 283BH of the Corporations Act 2001

Important Information

This Prospectus contains an invitation in relation to an issue by Macquarie Fortress Investments Limited ACN 113 113 214 ("Fortress" or the "Issuer") as trustee of the Macquarie Fortress Australia Notes Trust of the first series of Macquarie Fortress Notes ("Fortress Notes"). This is called the Offer.

Macquarie Alternative Investments Limited ACN 086 159 060 (the "Arranger"), Australian Financial Services Licence number 237843 offers to arrange for the issue of the Fortress Notes by Fortress (see Section 9.4 of this Prospectus).

Investments in Fortress Notes are not deposits with, or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie Bank" or "MBL") or any other member company of the Macquarie Bank Group, including Macquarie Fortress Investments Limited in its own capacity. Fortress Notes are subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of Macquarie Bank, Macquarie Fortress Investments Limited or any other member company of the Macquarie Bank Group or Permanent Trustee Company Limited guarantees any particular rate of return, or the performance of Fortress Notes, nor do they guarantee the repayment of capital from Fortress Notes.

The Fortress Notes are secured by a charge over certain assets (see Section 9.2 of this Prospectus) but are classified as unsecured notes for the purposes of Section 283BH of the Corporations Act.

Permanent Trustee Company Limited ("Notes Trustee") has been appointed as the trustee in respect of the Notes. It does not make, or purport to make, any statement that is included in this Prospectus and there is no statement in this Prospectus which is based on any statement by the Notes Trustee. To the maximum extent permitted by law, the Notes Trustee expressly disclaims and takes no responsibility for any part of this Prospectus other than the references to it in Section 6.2 of this Prospectus. The Notes Trustee has not made or consented to any other statement in this Prospectus including reference to, and descriptions of, documents to which it is a party and it has not caused or authorised the issue of this Prospectus.

This Offer is only available to Australian resident investors who receive this Prospectus in Australia. Applications from outside Australia will not be accepted. This Offer does not constitute an offer in any jurisdiction in which, or to any person to whom it would be unlawful to make such an offer.

Application must be made on the Application Form included in, or accompanying this Prospectus.

This Prospectus is dated 7 March 2005 and was lodged on 7 March 2005 with the Australian Securities and Investments Commission ("ASIC"). ASIC and the Australian Stock Exchange Limited ("ASX") and their respective officers take no responsibility for this Prospectus or the merits of the investment to which this Prospectus relates.

No Fortress Notes will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to provide any information or to make any representation with respect to this Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by Fortress or the Macquarie Bank Group in connection with this Offer.

The Offer contained in this Prospectus does not take into account your investment objectives, financial situation or particular needs. Fortress Notes are a complex financial product intended to provide interest over their Term. It is important that you read this Prospectus in full, consider and understand all the risk factors that could affect the performance of the Fortress Notes in light of your own particular investment objectives, financial situation and particular needs before deciding to invest in Fortress Notes. You should note that interest payable on the Fortress Notes may be reduced to zero (for a particular period or periods) and principal may not be recovered. The recourse of the Fortress Noteholder for repayment of principal is limited to the security for the relevant series of Fortress Notes (the "Security"). This means that the amount repaid may be less than the Face Value of the Fortress Notes if the value of the Security assets is less than the principal owing on the Fortress Notes at their Maturity. See Sections 9.2 and 9.3 of this Prospectus for further information.

You should also seek professional advice from your accountant, financial adviser, taxation adviser, solicitor or other professional adviser prior to deciding whether to invest.

Definitions

A number of words and terms used in this Prospectus have defined meanings that appear in the Glossary in Section 11 of this Prospectus.

Financial Amounts

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated.

Electronic Prospectus

This Prospectus may be viewed online at www.macquarie.com.au/fortressnotes. Persons who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. This Offer is only available to persons receiving the electronic version of this Prospectus within Australia. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Arranger, during the open period of this Offer.

Application for Fortress Notes may only be made by completing the Application Form attached to or accompanying this Prospectus or a paper copy of it, which can be downloaded in its entirety from www.macquarie.com.au/fortressnotes.

Exposure Period

The Corporations Act prohibits the processing of Applications in the seven day period after the date of the lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further seven days. Applications received during the exposure period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the exposure period.

ASX Listing

Application will be made within seven days of the date of this Prospectus for the listing and quotation of this series of Fortress Notes on the ASX. If admission of the Fortress Notes has not occurred on or before the earlier of the Allotment Date and 3 months after the date of this Prospectus, then Fortress Notes will not be issued and all Application monies received will be returned within 20 Business Days. Interest will not be paid on any Application monies refunded.

At A Glance

Fortress Notes	Applications are invited for Fortress Notes at an issue price of $1 per Note (being the Face Value or principal amount repayable on each Fortress Note at Maturity).
Issuer	Macquarie Fortress Investments Limited as trustee of Macquarie Fortress Australia Notes Trust ("Fortress Notes Trust") is the issuer of Fortress Notes. Fortress is a wholly owned subsidiary of Macquarie Bank Limited. Macquarie Fortress Investments Limited and the trust are newly established, so both have only nominal assets and no performance history.
Notes Trustee	Permanent Trustee Company Limited has been appointed as the trustee for Noteholders ("Notes Trustee") under a Notes Deed.
Interest Rate	Generally, interest will be based on the prevailing Bank Bill Swap Rate ("BBSW")[1] and a rate determined by reference to the performance of a Portfolio consisting largely of Senior Loans. The Interest Rate on the Fortress Notes, for the first twelve months after the Initial Investment Period, is expected to be 10.25%. See Section 3.1.1 for the assumptions on which this forecast is based. During the Initial Investment Period (until 31 August 2005), interest will not exceed the prevailing BBSW (but may be less). **Investors should be aware that no guarantee is provided by Four Corners, the trustee of the Portfolio Trust, Fortress, the Arranger, Macquarie Bank, any member of the Macquarie Bank Group or the Notes Trustee of any level of interest or the return of any level of capital or principal on the Fortress Notes or as to the level of return from the Loan Notes or the leveraged Portfolio.**
Key Dates	Applications Open — 7 March 2005 Applications Close — 6 May 2005 Expected Allotment Date — 16 May 2005 Expected Date of ASX Quotation — 23 May 2005 Application will be made no later than 7 days after the date of this Prospectus for admission of the Fortress Notes to quotation on the ASX. If the Fortress Notes are not admitted or the Minimum Aggregate Subscription Amount is not achieved, on or before the earlier of the Allotment Date or 3 months of the date of this Prospectus then they will not be issued and all Application Money will be returned without interest. End of First Interest Period — 31 August 2005 Interest will be paid within one month of the end of the interest period. Subsequent payments of any interest will be made Quarterly thereafter. *These dates and times are indicative only. Fortress reserves the right to vary the date and times of the Offer, without prior notice, and to accept late applications.*

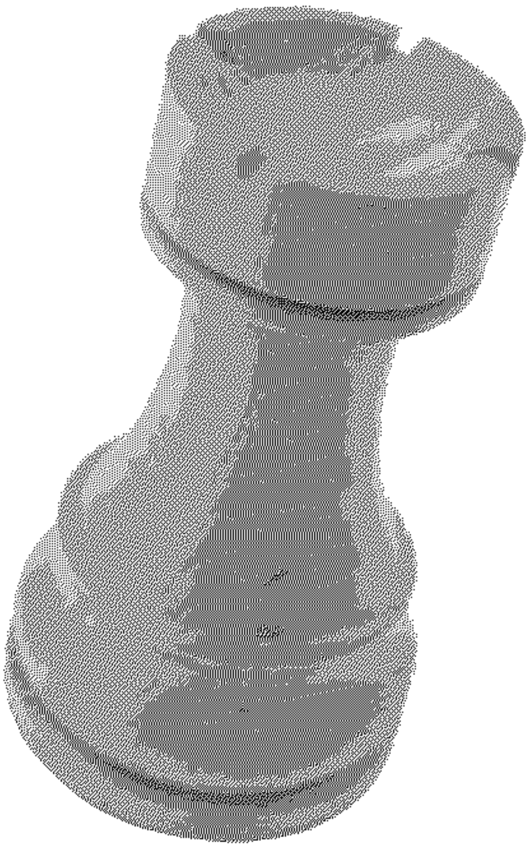
[1]The BBSW is the average ask rate for the Australian dollar bills of exchange having a tenor of 90 days.

Application Information	Application price per Fortress Note	$1
	Minimum investment amount including the Application Fee	$5000
	and thereafter multiples of	$1000
	Refer to Section 12 of this Prospectus for instructions on how to apply for Fortress Notes.	
	All dates and amounts are subject to change at the absolute discretion of Fortress and any changes will be published on its website at www.macquarie.com.au/fortressnotes.	
Maturity Date	The Maturity Date for the Fortress Notes is 31 August 2035 (subject to any Early Maturity). However, Fortress intends to allow investors to elect to redeem their Fortress Notes early on 31 August 2014, 31 August 2023 or 31 August 2032 ("Early Exit Dates"). Fortress Notes redeemed early will be redeemed at a premium or discount to their Face Value which depends on the amount payable at that time for redemption of Loan Notes acquired by Fortress (see Section 1 of this Prospectus).	
Minimum Aggregate Subscription Amount	The Fortress Notes will not be issued pursuant to this Prospectus unless applications for at least $20 million of Fortress Notes (to be held by at least 25 holders) are accepted by Fortress. This Offer is not underwritten.	
Maximum Aggregate Issue Price	The maximum aggregate issue price for Fortress Notes issued as at the Allotment Date is $70 million. Fortress reserves the right to accept over-subscriptions and to issue further tranches of Fortress Notes.	
Confirmations	Confirmation of the issue of Fortress Notes will be sent to investors as soon as practicable after the Fortress Notes are issued.	
Security	The Fortress Notes are Limited Recourse debt notes. They are secured by a floating charge in favour of the Notes Trustee over the property acquired by Fortress with the net proceeds of the issue of the Fortress Notes. As the Fortress Notes are Limited Recourse, the Noteholder agrees not to take action against Fortress in respect of any money due under the Fortress Notes other than in respect of the charged property. This means that if the charged property is of insufficient value, a Noteholder may not be repaid the total Face Value of their Fortress Notes.	

All dates and amounts are subject to change at the discretion of Fortress and any changes will be published on its website at www.macquarie.com.au/fortressnotes.

Although Fortress Notes have a forecast yield which is higher than certain other income investments there may be a higher risk associated with an investment in Fortress Notes. The Interest Rate on your Fortress Notes is variable and will depend on the performance of the underlying investments in the Portfolio. No particular Interest Rate is guaranteed and the Interest Rate may be reduced to zero in certain circumstances. For more information on the risks pertaining to an investment in Fortress Notes see Section 5 of this Prospectus. You should seek professional advice from your financial adviser as to whether an investment in Fortress Notes is suitable for you.

The Fortress Story



Chess is a game of strategy. The different pieces each have their own strength and value. When combined, they all play their part in achieving your objectives.

Whilst not a game, making decisions about your financial future requires the right investment strategy. You need to review your strategy regularly to make sure each of your investments is playing its part in achieving your financial goals.

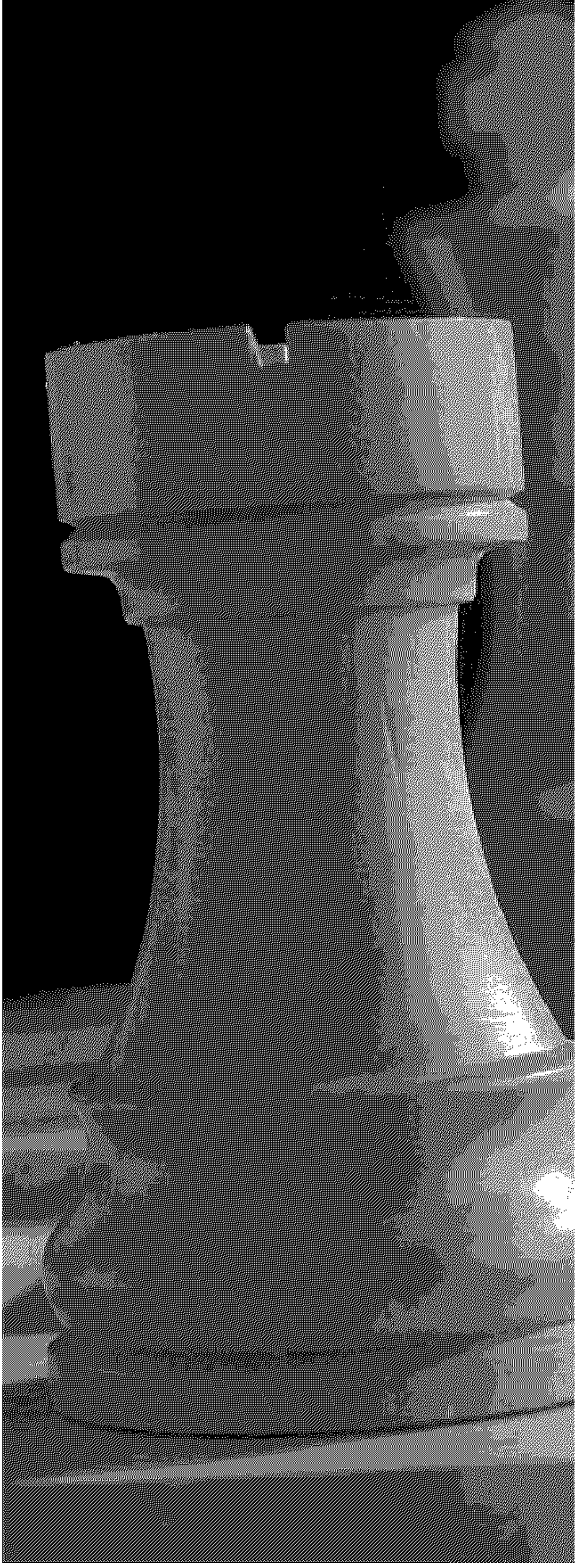
Macquarie Fortress Notes can play a powerful role in your investment portfolio. Built on four foundation stones, Fortress Notes are designed to provide you with:

1. A unique opportunity to gain exposure to an asset class not traditionally available to Australian retail investors;
2. Interest (if any) paid Quarterly, based on two components:
   - an interest rate that rises and falls with Australian dollar market interest rates; and
   - an interest rate that reflects the performance of a diversified and actively managed portfolio largely consisting of US Senior Loans.
3. Access to a specialised manager of US Senior Loans with approximately US$2.7 billion of assets under management;
4. The ability to trade Fortress Notes on the ASX*.

*There is no guarantee as to the liquidity of the market for Fortress Notes.

If you are looking for an investment which aims to generate high interest income whilst maintaining the ability to repay principal at maturity, consider Macquarie Fortress Notes.

Investors should be aware that no guarantee is provided by Four Corners, the trustee of the Portfolio Trust, Fortress, the Arranger, Macquarie Bank, any member of the Macquarie Bank Group or the Notes Trustee of any level of interest or the return of any level of capital or principal on the Fortress Notes or the returns from the leveraged Portfolio.



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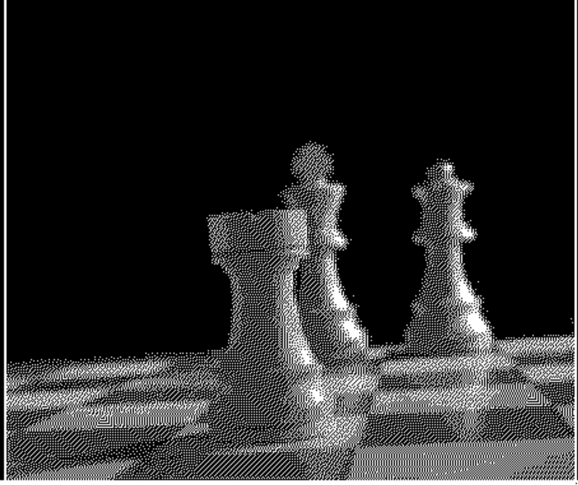

Key Features of Macquarie Fortress Notes

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TOPIC	SUMMARY	WHERE TO FIND MORE
The Fortress Notes	An investor under this Prospectus will acquire fully paid Fortress Notes issued by Fortress. Fortress Notes are variable interest rate debt notes with a Term expiring on the Maturity Date. They are issued in Series and this Offer relates to Series 1 Fortress Notes. Each Series of Fortress Notes is secured by a floating charge over the property (including the Loan Notes) acquired by Fortress with the net proceeds of the issue of that Series of Fortress Notes[2]. This is referred to as the Security for the Fortress Notes and is held by the Notes Trustee for the benefit of the Noteholders.	Section 2.1 What are Macquarie Fortress Notes? Section 9 Material Contracts
Fortress Notes Classification	Fortress Notes are classified as unsecured notes for the purposes of Section 283BH of the Corporations Act.	Section 2.20 Classification of Fortress Notes.
Offeror under this Prospectus	Macquarie Fortress Investments Limited as the trustee of the Macquarie Fortress Australia Notes Trust ("Fortress Notes Trust") is the issuer of Fortress Notes. Macquarie Alternative Investments Limited ("MAIL") is the Arranger for the Offer of the Fortress Notes.	Section 6 The Credentials
Notes Trustee	Permanent Trustee Company Limited is the Notes Trustee for the Fortress Noteholders and holds the Security for the Fortress Notes. As Notes Trustee, it holds, for the benefit of Fortress Noteholders, the right to enforce Fortress's obligations under the Series Trust Deed for the Fortress Notes.	Section 6 The Credentials
Objective	Fortress Notes have been designed with an aim of delivering interest on a quarterly basis whilst maintaining the ability to repay principal at Maturity. For risks associated with achieving these objectives see Section 5 of this Prospectus.	Section 2.2 What are the Objectives and Target Interest Payments of Fortress Notes? Section 5 Risks

[2]Fortress Notes are classified as unsecured notes for the purposes of Section 283BH of the Corporations Act.

TOPIC	SUMMARY	WHERE TO FIND MORE
Foundations of Fortress	Fortress Notes aim to provide: 1. A unique opportunity to gain exposure to an asset class not traditionally available to Australian retail investors; 2. Interest (if any) paid Quarterly, based on two components: ■ an interest rate that rises and falls with Australian dollar market interest rates; and ■ an interest rate that reflects the performance of a diversified and actively managed portfolio largely consisting of US Senior Loans. 3. Access to a specialised manager of US Senior Loans with approximately US$2.7 billion of assets under management; 4. The ability to trade Fortress Notes on the ASX[3]. There is no guarantee that these aims will be achieved.	
Interest Payments	Fortress Notes pay a variable Interest Rate which is based upon the interest received on the Loan Notes purchased with the proceeds of the issue of the Fortress Notes. The interest on the Loan Notes will depend on the prevailing BBSW and the performance of the investments included in the Portfolio consisting primarily of Senior Loans ("Portfolio Margin") which may be negative. No particular rate of interest is guaranteed and the Interest Rate may be zero in circumstances such as those outlined in Section 3. The Interest Rate payable for the period up to the end of the first complete Quarter after the Notes issue (the "Initial Investment Period") will not exceed BBSW and may be less.	Section 2.2 What are the Objectives and Target Interest Payments of Fortress Notes? Section 3 Returns
Forecast Returns	The Interest Rate on the Fortress Notes is forecast to be, for the first full year after the end of the Initial Investment Period, approximately 10.25%. The Interest Rate forecast is based upon a number of assumptions (which are set out in Section 3.1.1 of this Prospectus). The Interest Rate may be reduced by the effect of a number of events and may reduce to zero for a particular period or periods. **Whilst Fortress believes it has a reasonable basis for its Interest Rate forecast, there is no guarantee that this forecast will be achieved or that the assumptions on which the forecast is based will be realised in the future.**	Section 2.2 What are the Objectives and Target Interest Payments of Fortress Notes? Section 3 Returns

[3] There is no guarantee as to the liquidity of the market for Fortress Notes.

TOPIC	SUMMARY	WHERE TO FIND MORE
Who Fortress May Suit	Fortress Notes may be attractive to individuals, self managed super funds, trusts or companies who are looking to invest part of their portfolio in an investment that: ▪ aims for quarterly interest payments;· ▪ provides interest income based in part upon a floating interest rate and seeks to provide returns in an economic environment where other investments such as listed property or fixed income investments may be negatively affected by rising interest rates; ▪ accesses an asset class that historically has exhibited less volatility on an unleveraged basis than fixed interest or shares; and ▪ provides interest which reflects the performance of a diversified, actively managed Portfolio (consisting mainly of Senior Loans). **Of course, these are only general indications of the features of Fortress Notes. This Prospectus does not take into account a prospective investor's investment needs, objectives and financial and taxation circumstances and each investor should seek the advice of a qualified financial adviser who is familiar with the investor's circumstances before investing in Fortress Notes.**	
Who is the Asset Manager	As the interest on the Loan Notes held by Fortress depends on the performance of the Portfolio, the management of the Portfolio is significant for returns on the Fortress Notes. Four Corners Capital Management, LLC has been appointed by the trustee of the Portfolio Trust to select and actively manage the composition of the Portfolio. Four Corners is a specialised manager of senior secured floating rate loans ("Senior Loans") with approximately US$2.7 billion of assets under management. Four Corners' three-year investment track record includes managing assets during a portion of one of the worst periods for credit markets in decades (2000-2002) with record corporate default levels and numerous corporate governance scandals. During this period, Four Corners has: ▪ generated positive returns every month on Senior Loan portfolios prior to leverage costs; ▪ had no defaults or distressed sales in portfolios managed with similar investment and diversification guidelines to those of the Portfolio Trust; and ▪ outperformed the Senior Loan indices with lower volatility of returns.	Section 2.7 Who is the Asset Manager? Section 6 The Credentials

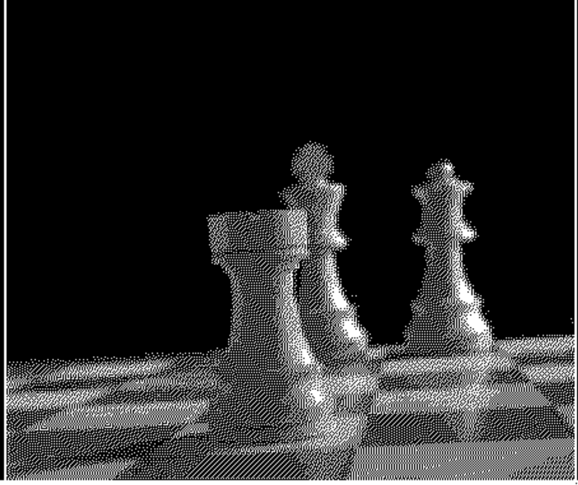
TOPIC	SUMMARY	WHERE TO FIND MORE
Who is the Asset Manager? (continued)	**You should note that past performance is not a guide to Four Corners' future performance and there is no assurance that its performance record will continue.**	Section 2.7 Who is the Asset Manager? Section 6 The Credentials
Fortress Investments	Fortress will use the amount it raises from the issue of Fortress Notes (the "Note Proceeds"), which will be net of Application Fees, to purchase Loan Notes denominated in Australian dollars from the Knight Portfolio Trust ("Portfolio Trust"). The Portfolio Trust is a trust established in the Cayman Islands with Walkers SPV Limited as its trustee. The Portfolio Trust will acquire investments that provide direct or indirect exposure to a Portfolio that will consist primarily of Senior Loans. The Portfolio Trust may also hold investments in foreign exchange contracts and/or security deposits which are expected to generate returns referable to BBSW. Senior Loans are an established asset class in the US and typically: ■ pay floating rate interest on a regular basis; ■ have delivered positive returns over time with significantly less volatility than other assets such as equities or fixed interest investments; ■ have relatively stable principal values because of the floating interest rate and the security provided over the borrower's assets; and ■ have low correlations with fixed interest and equity investments. **However, you should note that past performance is not a guide to the future performance of an asset class or portfolio and these characteristics may change in different economic circumstances.**	Section 2.3 How will Fortress seek to Achieve its Objectives? Section 2.4 Portfolio Trust
	Whilst the Portfolio will consist primarily of Senior Loans, in the future it may also include Permitted Future Investments (which may include, among other securities, exposure to high yield bonds, credit default swaps, Senior Loans from distressed borrowers, and securities linked to Senior Loan and high yield bond indices). Exposure to Permitted Future Investments is intended to provide flexibility for the Asset Manager to obtain exposure to assets which may increase (but which could decrease) returns for investors or manage risk. The level of exposure to Permitted Future Investments is capped at 20% of the Portfolio Capacity.	Section 2.10 Permitted Future Investments and Income Enhancement

TOPIC	SUMMARY	WHERE TO FIND MORE
Fortress Investments (continued)	The Asset Manager has no obligation to allocate funds to Permitted Future Investments at any time and at the date of this Prospectus it does not intend to for a period of approximately 15 months. **Investors should note that, in general, the Permitted Future Investments are riskier than Senior Loans. If the Asset Manager does invest in Permitted Future Investments in the future, it could increase the risks associated with an investment in Fortress Notes. For more information on the risks which are specific to Permitted Future Investments see Section 5.5.6 of this Prospectus.**	
The Portfolio Trust's Leverage	The Portfolio Trust will use the Loan Note Proceeds to secure a leveraged exposure to the Portfolio ("Leveraged Exposure"). The Leveraged Exposure to the Portfolio may be obtained directly (through the direct acquisition of the assets using funds provided by a lender) or indirectly (via Total Return Swaps or similar means). The Leverage Ratio is generally determined by dividing the Leveraged Exposure by the aggregate amount of the US dollar equivalent of the proceeds of the issue of loan notes by the Portfolio Trust plus or minus the total increase or decrease in the value of the Portfolio. The Leverage Ratio is intended to be between 4.5 and 6.5, but it may vary outside of this range from time to time. The Leverage Provider is expected to have certain rights that could impact the returns on the Loan Notes. These rights are described in Section 5.5.5 of this Prospectus and should be considered by investors under this Prospectus. The Leverage Provider is expected to have a first ranking charge over the undertakings and assets of the Portfolio Trust as security for the leverage provided where direct exposure is held. In some instances, including where the exposure is indirect, the Leverage Provider may have legal title to the Portfolio.	Section 2.14 The Leveraged Exposure Section 5.5.5 Risks Associated with Leveraged Exposure

TOPIC	SUMMARY	WHERE TO FIND MORE
Risks	Like all investments, an investment in Fortress Notes involves risks that may adversely affect the interest income or repayment of principal or may have other negative consequences for you. These risks may also result in a reduction of the price at which Fortress Notes trade on ASX. In particular, the use of leverage in any investment can have the effect of increasing gains or losses. Therefore, the leverage of the Portfolio Trust may affect the returns on the Loan Notes acquired by Fortress and affect the returns on the Fortress Notes. Additionally, the Portfolio consists of assets that are typically rated below investment grade, and are of a higher credit risk than more highly rated credit-related investments. Neither a particular rate of interest for the Fortress Notes nor the return of principal is guaranteed by any entity.	Section 5 Risks
Tax	Interest and any gain on sale or redemption of your Fortress Notes will be included in your assessable income, and any loss on sale or redemption of your Fortress Notes should be an allowable deduction. Other taxation and GST consequences of acquiring or holding Fortress Notes are set out in Section 7.	Section 7 Taxation Considerations
Fees	Fees are payable by Fortress to the Notes Trustee and others as described in this Prospectus. These costs, and the fees and expenses payable out of the Portfolio Trust will affect the interest paid on the Fortress Notes and the value of the Security granted in respect of the Fortress Notes.	Section 2.21 What Fees are Payable?
Quotation on ASX	Fortress intends, within 7 days of the date of this Prospectus, to apply for admission and quotation of Fortress Notes on the ASX. If permission is not granted by the ASX for quotation of Fortress Notes by the earlier of the Allotment Date or three months following the date of this Prospectus, the Fortress Notes will not be issued and Fortress will repay investors their application money without interest.	

TOPIC	SUMMARY	WHERE TO FIND MORE
Redemption	Fortress Notes will usually mature and be redeemed 30 years after issue. For the Fortress Notes Offered under this Prospectus their usual maturity date is 31 August 2035. However, in certain circumstances the maturity may occur early. In addition, Fortress intends to make available to investors an early redemption opportunity every 9 years after their issue date, that is 31 August 2014, 31 August 2023 or 31 August 2032 ("Early Exit Dates"). Fortress Notes redeemed early will be redeemed at a premium or discount to their Face Value which depends on the amount payable at that time for redemption of Loan Notes acquired by Fortress.	Section 2.18 How Do I Exit my Investment? Sections 9.2 and 9.3 Material Contracts
Transfer or Termination of Investment	Fortress Notes are expected to list shortly after the Allotment Date. Listing may provide liquidity if you wish to exit your investment. However, there is no guarantee that a liquid secondary market for the Fortress Notes will develop. Investors are not entitled to terminate or redeem their Fortress Notes except on an Early Exit Date. The first Early Exit Date falls on the 9th anniversary of the end of the Initial Investment Period. Fortress is entitled to repay the Fortress Notes at any time prior to the end of the Term on the occurrence of an Early Maturity event (outlined in Section 2.18). The Fortress Notes will otherwise only be repaid by Fortress at Maturity at the end of the Term.	Section 2.18 How Do I Exit my Investment? Section 2.19 Buyback Initiated by Fortress.
Complaints	Fortress has established a complaints handling and disputes resolution process for Fortress Noteholders.	Section 10.9 Complaints Handling
Further Information	Before you purchase Fortress Notes, you should review any updated information at the Fortress website www.macquarie.com.au/fortressnotes. A paper copy of any updates will be available from Fortress free of charge (see the Directory at the back of this Prospectus for Fortress's contact details). If you would like further information before investing please call Fortress on 1800 0800 33 or speak to your financial adviser.	Inside front cover Section 10.2 Disclosing Entity

TOPIC	SUMMARY	WHERE TO FIND MORE
Applications	Applications for Fortress Notes can be made as set out under How to Apply in Section 12 of this Prospectus and by completing the Application Form at the back of this Prospectus. Fortress reserves the right to reject applications for Fortress Notes without giving any reason or to allot to an applicant fewer Fortress Notes than applied for. Unless the Minimum Aggregate Subscription Amount of $20 million Fortress Notes is received and admission to the ASX for quotation is achieved by the Allotment Date, the Fortress Notes will not be issued. Application money for Fortress Notes which are not issued will be returned without interest when confirmations of Fortress Notes are sent to applicants. An Application Fee of 2.2% will be payable to Fortress. You should note that Application Money will be held on trust for you by the Arranger. Any interest earned on the Application Money will be paid to the Arranger (in its capacity as principal) and will not form part of your Application Money that is applied to acquire Fortress Notes.	Section 12 How to Apply and Application Form
How to Apply for Fortress Notes	Once you have read this Prospectus, refer to the How To Apply section, complete an Application Form and send it to the address specified on the form.	Section 12 How To Apply and Application Form



The Investment

2

2. THE INVESTMENT

2.1 What are Macquarie Fortress Notes?

Fortress Notes are debt notes issued by Fortress in Series. Each Series is secured by a floating charge granted as Security over the Loan Notes acquired by Fortress with the net proceeds of the issue of that Series of Fortress Notes. The Fortress Notes offered under this Prospectus are Series 1 Fortress Notes.

It is intended that the Fortress Notes offered under this Prospectus will be admitted as debt securities on the Australian Stock Exchange (ASX) by the earlier of the Allotment Date or 3 months after the date of this Prospectus. Further Fortress Notes in this Series and subsequent series of Fortress Notes may be offered in the future (See Section 2.4 of this Prospectus).

2.2 What Are The Objectives And Target Interest Payments of Fortress Notes?

Fortress currently has two main objectives:

1. to deliver an annual interest rate of at least 4.5% per annum above BBSW after the Initial Investment Period; and
2. to repay Noteholders' principal at maturity.

There is no guarantee as to the level of interest payments which may be achieved in any particular period. The Interest Rate is sensitive to a range of factors and in some cases, may be reduced to zero for a particular period or periods. These factors are described in Section 3 of this Prospectus. If the Interest Rate falls to zero the ability of Fortress to repay capital to the Noteholders at Maturity may be impaired.

During the Initial Investment Period for a Fortress Note, the annualised returns to Noteholders are expected to approximate the Australian Bank Bill Rate ("BBSW"). These returns will not exceed BBSW and may be less. The Initial Investment Period for the Fortress Notes expires at the end of the first complete Quarter after those Fortress Notes are issued. Please see Sections 2.15 and 9.2 of this Prospectus for further details. Various risk factors can affect the achievement of these objectives (see Section 5 of this Prospectus).

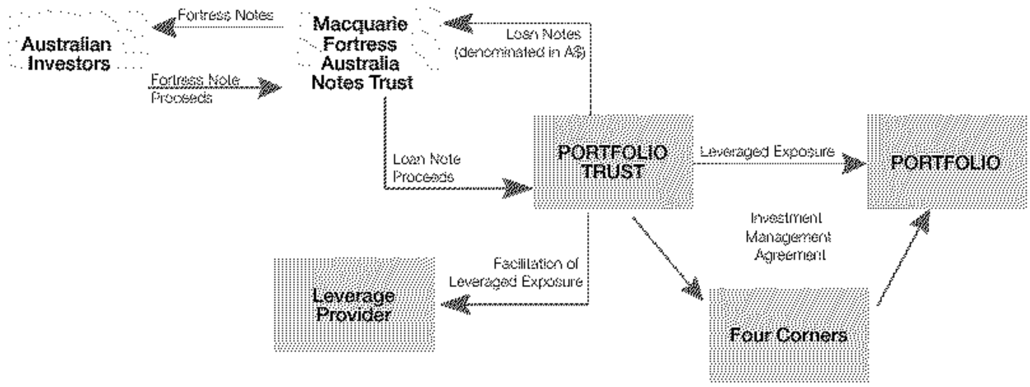
2.3 How Will Fortress Seek To Achieve Its Objectives?

Fortress will use the net funds raised under this Prospectus, less Application Fees ("Note Proceeds") to acquire Loan Notes issued by the Portfolio Trust. The return on the Loan Notes is referable to the prevailing BBSW and the performance of the Portfolio (which may be negative).

A further description of the Loan Notes including calculation of returns, fees, terms for early repayment and payments due at maturity is set out in Section 9.7 of this Prospectus.

The Portfolio Trust will use the Loan Note Proceeds to acquire a Leveraged Exposure to the Portfolio which will be primarily comprised of Senior Loans. The Leveraged Exposure to the Portfolio may be obtained directly (through the direct acquisition of the Portfolio using funds provided by a lender) or indirectly (via exposure to Portfolio returns or losses via Total Return Swaps or similar means). The Portfolio Trust has appointed Four Corners to select and actively manage the Portfolio.

Figure 1 — Transaction structure of an investment in Fortress Notes.



2.4 Portfolio Trust

The Portfolio Trust is a trust that was established on 3 March 2005 with the main purpose of obtaining a Leveraged Exposure to the Portfolio. The trustee is a resident of the Cayman Islands.

The Portfolio Trust may issue Loan Notes to lenders other than Fortress on similar or other terms and conditions to the Loan Notes proposed to be issued to Fortress. Such Loan Notes may be in different currency denominations.

Any new issues of Loan Notes and associated borrowings under any new leverage facility will be issued as a different class or series of Loan Notes but the returns on all Loan Notes may relate to the performance of the Portfolio and have the benefit of security granted by the Portfolio Trust. It is expected that each subsequent issue of Loan Notes will have an Initial Investment Period to allow the Asset Manager to identify further assets to include in the Portfolio.

2.5 What Is A Senior Loan?

The Portfolio is intended to primarily reference Senior Loans.

A Senior Loan is a loan made to a company where the lender protects itself from the borrower's failure to repay the loan by taking security (generally first ranking but may include second ranking), such as a fixed and floating charge over the assets of the company (which can include assets such as cash, accounts receivable, inventory, plant and equipment, real property or shares). Senior Loans are amongst the first obligations repaid (after certain required payments including employee salaries and tax obligations) in the event that a borrower defaults on its debt obligations.

This high payment priority, combined with the security provided by the borrower's assets, serves to ensure that in the event that a borrower defaults on its obligations, the lender generally recovers a higher proportion of its outstanding loan amount than other creditors. The protection generally provided by Senior Loans is shown by historical average Recovery Rates (a percentage amount reflecting how many cents in the dollar were realised after default on a loan). In the period from 1988 to second quarter 2004, the average Recovery Rate on defaulting Senior Loans was 77.1%, which compares favourably with the average Recovery Rate experienced on other debt obligations such as unsecured loans or bonds[4]. The average annual Default Rate for Senior Loans was 2.6% per annum for the period from 1992 – 2004.

Please refer to Sections 3.1.5 and 3.1.6 of this Prospectus for further detail on default and recovery statistics.

Senior Loans and their characteristics are further described in Section 4 of this Prospectus.

2.6 Why Exposure To Senior Loans May Suit Your Portfolio

Senior Loans have certain characteristics that make them an attractive asset class. The characteristics of Senior Loans include:

- periodic interest payment requirements, typically at least quarterly;
- historically, positive returns over time but with significantly less volatility than equities and fixed interest alternatives[5];
- a floating interest rate (variable rate) that minimises the fluctuation in principal value as a result of changes in interest rates; and
- historically, low correlations with fixed interest and equity alternatives[6].

[4]Source: Standard and Poor's LossStats Database.
[5]Source: Credit Suisse First Boston, Ibbotson Associates Bloomberg
[6]Source: Credit Suisse First Boston, Ibbotson Associates Bloomberg

Why Do Floating Rate Investments Have Less Principal Volatility?

Fixed rate investments will suffer a capital loss in times of increasing interest rates and make capital gains in times of falling interest rates. Consider, for example a $2,000 investment paying a fixed interest rate of 5% per annum ($100 per annum) for a period of three years.

The Rising Interest Rate Scenario

If, after holding the investment for 12 months, interest rates rise, to say 6% per annum, the $100 paid in interest on this investment is now unattractive in the market as a new investment of $2,000 will generate $120 per annum. For the return to remain in line with market rates the value of the investment must fall to $1963.33. The rate of return on this investment at this lower price will be 6% per annum.

The Falling Interest Rate Scenario

If, after holding the investment for 12 months, interest rates fall, to say 4% per annum, the $100 paid on this investment is now attractive in the market as when new investors invest $2,000 they make only $80 per annum. Other investors will now bid the price of the investment up until the return is in line with market rates. This will increase the value of the investment to $ 2,037.72. The rate of return on this investment at this higher price will now be 4% per annum.

Floating rate instruments are insulated from this capital volatility. If a floating rate instrument is issued, paying 5% per annum and rates rise to 6% per annum, the floating rate payable on the note will also increase to 6% per annum. As the return is the same as is available in the market, there is no change in the principal $2,000 invested.

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2.7 Who Is The Asset Manager?

Four Corners Capital Management, LLC ("Four Corners") is a Delaware USA limited liability company that specialises in the management of Senior Loans. The trustee of the Portfolio Trust has appointed Four Corners to select and actively manage the composition of the Portfolio (see Section 9.6 of this Prospectus for the main terms of the appointment). The performance of the Asset Manager will be a key determinant of returns to Noteholders.

Based in Los Angeles, Four Corners was founded in September 2001. Four Corners is 66.67% owned by the MBL Group with the remaining 33.33% owned by the management of Four Corners.

Four Corners currently advises and manages committed funds with a capacity of approximately US$2.7 billion (as at 28 February 2005). Four Corners has managed assets since February 2002. Prior to this date, the key management personnel of Four Corners had been extensively involved in the industry. Four Corners currently manages assets for wholesale and/or retail investors in Australia, Europe and the US.

In the period since commencing asset management activities in February 2002, which includes part of one of the worst periods for credit markets in decades (2000 - 2002) with record corporate default levels and numerous corporate governance scandals, Four Corners has:

- generated positive returns every month on Senior Loan portfolios prior to leverage costs. On a leveraged basis negative returns were experienced for two months. However the two months of negative returns were due to market value fluctuations as opposed to realised cash losses;
- had no defaults or distressed sales in portfolios managed with similar investment and diversification guidelines to those of the Portfolio Trust; and
- outperformed Senior Loan indices with lower volatility of returns.

Investors should take into consideration that Four Corners' past performance is not indicative of its future performance as Asset Manager of the Portfolio. The Portfolio to which the Fortress Notes are primarily exposed may also be subject to different expenses and investment guidelines than other portfolios managed by Four Corners and this may result in different returns and performance.

For a more detailed discussion of the credentials of Four Corners' key management personnel, refer to Section 6.4 of this Prospectus.

2.8 Is There An Active Market In Senior Loans?

The US Senior Loan market is a large and active market. The market size exceeds US$1 trillion, and over US$300 billion of new Senior Loans were issued in 2004. The vast majority of the loans to be included in the Portfolio will be Institutional Loans. The Asset Manager also may selectively included revolving credit facilities in the Portfolio.

Institutional Loans and Revolving Credit Facilities

Of the new issuance in 2004, approximately US$160 billion were Institutional Loans, which are "fully-funded" loans that pay a credit margin on the entire amount of the loan.

The balance of the new issuance was primarily comprised of "pro-rata" loans, which are generally a combination of funded loans and revolving credit facilities. Revolving credit facilities give the borrower the right to draw down the loan and to repay it without penalty and to re-draw. As a result, they are typically not fully-funded, which means they do not pay a credit margin on the entire loan amount, but instead only pay a margin on the amount of the loan that is outstanding at any point in time. These features are difficult to accommodate within institutional investment portfolios which have target returns which are calculated on the basis of fully funded loans and that have a capped leverage facility.

There is an active secondary market in the buying and selling of Senior Loans, with over US$100 billion in Senior Loans traded in each of the last five years (2000-2004). The minimum portion size in which a Senior Loan may be traded is typically US $1 million, which has made it easier for institutional investors, like Four Corners and its clients, to diversify their Senior Loan investments.

Whilst most Senior Loans are originated and underwritten by major banks and investment banks, in 2004 more than 64% of all new Senior Loans were sold to institutional investors such as Four Corners. The Senior Loans to which the Portfolio Trust will be exposed are intended to include both new loans arranged by originating banks and existing loans purchased in secondary trading.

2.9 How Diversified Will The Portfolio Be?

The Portfolio will be constructed and its composition will be managed with a view to ensuring that it is diversified. A set of guidelines have been established with the aim of ensuring diversification targets are achieved and maintained after the Initial Investment Period. During the Initial Investment Period (and for the corresponding periods for any future issues of Loan Notes by the Portfolio Trust) these guidelines may not be met. These guidelines can change over time. If it is not possible for the Portfolio to be adequately diversified over a sustained period, the Loan Notes may be repayable and the Fortress Notes may be repaid early.

The main asset class exposure in the Portfolio will be Senior Loans that will be included in accordance with the investment guidelines. It should also be noted that up to 20% of the Portfolio Capacity may be allocated to Permitted Future Investments (see Section 2.10 of this Prospectus).

The diversification guidelines for the Portfolio generally are:

- There is expected to be exposure to at least 75 Senior Loans;
- No loans to a single borrower may represent more than 2% of the Portfolio Capacity except that any five borrowers may represent up to 3% of the Portfolio Capacity;
- No more than 10% of the Portfolio Capacity is to be invested in any single Moody's industry classification except that up to three industries represented in the Portfolio may each account for up to 15% of the Portfolio Capacity provided that the aggregate represented by the top three industries does not exceed 35% of the Portfolio Capacity; and
- Up to 20% of the Portfolio Capacity may be invested in Permitted Future Investments.

The investment guidelines that apply specifically to the Senior Loans component of the Portfolio are:

- All loans will be denominated in US dollars;
- All loans will be to borrowers headquartered in the US (or its territories and possessions), except that up to 10% of the Portfolio

Capacity may be invested in Senior Loans to non US borrowers provided that the respective borrowers have their headquarters in countries that are members of the Organisation for Economic Co-Operation and Development ("OECD") where the sovereign rating is at least AA from Standard and Poors or Aa2 from Moody's;

- All new Senior Loan investments will be to borrowers with a Moody's rating of B3 or higher (or equivalent rating from another nationally recognised rating agency) at the time of investment;
- The purchase price of a Senior Loan will not be less than 90% of the Senior Loan's face value;
- No more than 10% of the Senior Loans may be invested in second lien loans;
- No more than 10% of the Portfolio Capacity may be invested in revolving credit facilities.

Leverage Providers may, from time to time, impose additional guidelines or guidelines which are more strict than those outlined above.

Investors seeking further information on credit ratings should visit the Standard and Poor's website: www.standardandpoors.com and/or the Moody's Investors Service website: www.moodys.com. Investors should note that access to these sites may be restricted.

Benefits of Diversification

As the number of securities in a portfolio becomes larger, the risk and volatility of the returns of the portfolio is reduced. It is the benefit embodied in the old saying "Don't put all your eggs in one basket".

2.10 Permitted Future Investments and Income Enhancement

There may be investment opportunities in Permitted Future Investments that offer appropriate risk-reward tradeoffs. Accordingly, the Asset Manager has the flexibility to invest an amount of not more than 20% of the Portfolio Capacity in Permitted Future Investments. Permitted Future Investments consist of instruments that may include unsecured floating rate notes, high yield bonds, Senior Loans from distressed borrowers, Senior Loans denominated in currencies other than US dollars, securities linked to Senior Loan and/or high yield bond indices, and short positions in securities linked to Senior Loans, high yield bonds, or Senior Loan and/or high yield bond indices. In conjunction with such investment, hedging techniques may also be employed by the Asset Manager in order to control risk, such as selling short Senior Loans, high yield bonds or their respective indices.

The Asset Manager is under no obligation to allocate any of the Portfolio Capacity to Permitted Future Investments and, as at the date of this Prospectus, the Asset Manager does not currently have an intention to include those investments for approximately 15 months after the date of issue of the Fortress Notes.

A brief description of some of the Permitted Future Investments which may be included in the Portfolio follows. For some of the risks pertaining to Permitted Future Investments, refer to Section 5.5.6 of this Prospectus.

Unsecured Floating Rate Notes and High Yield Bonds

Unsecured floating rate notes and high yield bonds are not secured by Collateral and are typically rated below investment grade. The primary distinction between unsecured floating rate notes and high yield bonds is that the rate of interest on high yield bonds is fixed at the time of issuance, whereas floating rate notes typically have interest rates that reset based on prevailing short term reference rates.

Four Corners may choose to make such unsecured investments in cases where it believes that either (i) the Collateral securing the Senior Loan in the borrower's capital structure is of such strong quality and sufficiency that, despite the lack of Collateral in respect of the unsecured obligations, the recovery on an unsecured obligation is likely to be high, or (ii) the Collateral securing the Senior Loan in the borrower's capital structure is of relatively low quality and sufficiency such that, in an event of default, the recovery of the unsecured obligation is not likely to differ significantly from the recovery on the Senior Loan. In such cases, where the unsecured obligation is paying a higher rate of interest, it may represent an investment opportunity with an appropriate risk-reward trade-off.

Senior Loans Denominated in Currencies other than US dollars

The volume of Senior Loans issued in currencies other than US dollars ("Non US dollar Senior Loans") has increased dramatically in recent years as the US and European markets have seen more cross-border activity amongst issuers and investors. Four Corners frequently invests in Senior Loans that are part of financing packages from issuers that

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include Non US dollar Senior Loans. Four Corners believes where spreads on Non US dollar Senior Loans are higher than those on comparably rated Senior Loans, it may represent an investment opportunity with an appropriate risk-reward trade-off.

Senior Loan and High Yield Bond Indices
A variety of investment products linked to Senior Loan and high yield bond indices have developed in recent years. The market for products linked to high yield bond indices is currently much more developed and liquid than that for investments linked to Senior Loan indices. These products can be used to take long or short positions in indices comprising a basket of Senior Loans or high yield bonds.

During periods in which there is excess cash available in the Portfolio for investment, the Asset Manager may take long positions in securities linked to the performance of indices where it believes these securities offer a more efficient means for the Portfolio to include a long credit exposure than direct investments. Additionally, the Asset Manager may take short positions in the indices to either seek to protect the Portfolio's value against anticipated declines or where the Asset Manager believes that a short position is appropriate given its expectations for future credit conditions.

2.11 Foreign Exchange Hedging and Security Deposits

As Fortress Notes are denominated in Australian dollars but the Portfolio will be primarily comprised of US dollar denominated assets, there is a need to protect the Australian dollar investment from movements in foreign exchange rates. The Portfolio Trust currently proposes to do this one of two ways.

Firstly, where the Loan Note proceeds are converted to US dollars and either invested into the Portfolio or held on deposit, the Portfolio Trust will enter into foreign exchange hedging contracts to protect the Australian dollar value of the Loan Note Proceeds.

Secondly, the Portfolio Trust may hold the Loan Note Proceeds in an Australian dollar bank account so as to minimise foreign exchange risk.

These methods may be used individually or in combination to attempt to reduce any foreign exchange risk exposure.

Additional methods of hedging may develop in the future and the Portfolio Trust may use other methods. Four Corners will not be responsible for managing foreign exchange risk.

2.12 Is the Portfolio Actively Managed?

The Portfolio is monitored and its composition managed on a daily basis. Changes to the Portfolio may be made for a variety of reasons including changes in Senior Loan or Permitted Future Investment margins, traded prices, credit deterioration and the availability of more attractive Senior Loans or Permitted Future Investments.

Four Corners shall determine an appropriate strategy to manage the composition of the Portfolio (which may include the holding or selling of Senior Loans or Permitted Future Investments). Four Corners' management style may be characterised as risk averse and has been implemented, to date, with success on existing portfolios under its management. This is evidenced by the fact that Four Corners has had no defaults or distressed sales in portfolios managed with similar investment and diversification guidelines to those of the Portfolio (whereas the average Default Rate for the whole Senior Loan market with comparable credit ratings was 7.5% in 2002, 3.5% in 2003 and 1.1% in 2004[1]). **However, you should remember that past performance may not be indicative of future performance and the Asset Manager expects the Portfolio will, from time to time, experience defaults and distressed sales.** Four Corners has traded out of a number of loans in this period at prices below the acquisition price when Four Corners' management has determined that the credit risk attaching to the relevant loan had increased to an unacceptable level. Four Corners believes that it is generally preferable to experience a trading loss early rather than watch the credit quality deteriorate and hope that the problems do not lead to actual credit default.

The Senior Loans included in the Portfolio will bear a floating rate of interest and will generally give the borrower the right to prepay without penalty. This means that there is usually only a limited opportunity to generate trading gains on individual Senior Loans as the market values will generally not trade far above the face value of the loan because the borrower can repay the loan without penalty. However, in certain cases where the market values do exceed the face value of the loan, Four Corners may sell such loans to generate trading gains. Additionally, in cases where the Senior Loans do include some

[1]Source: Credit Suisse First Boston

prepayment protection, the value of the loan may trade up significantly, and Four Corners may sell these loans and generate trading gains. No allowance has been made in the forecast returns for any trading gains or losses.

2.13 Security

The Portfolio Trust will grant a first ranking fixed and floating charge to any Leverage Provider to secure its obligations under the Leveraged Exposure and may grant a second ranking charge to the provider of the foreign exchange hedging arrangement. This means that the charge granted to Fortress as holder of the Loan Notes will become a third ranking charge.

Fortress Notes are secured by a first ranking floating charge over the Loan Notes issued to Fortress in respect of the Series of Fortress Notes offered under this Prospectus. The charge is held by the Notes Trustee for the benefit of the Noteholders as secured creditors of Fortress as trustee of the Fortress Notes Trust. The Noteholders do not have any beneficial interest in the Fortress Notes Trust. Fortress Notes are Limited Recourse notes. The Noteholders agree that their recourse is limited to the assets subject to the charge (that is the Loan Notes held by Fortress that are acquired with the Note Proceeds) and cannot take action to recover amounts due to them in respect of the Fortress Notes beyond that security. In turn, the Loan Notes have recourse limited to the net assets of the Portfolio Trust.

2.14 The Leveraged Exposure

The Portfolio Trust is to obtain a US dollar denominated Leveraged Exposure to the Portfolio. MBL has agreed to provide the leverage facility unless other arrangements are made by the Portfolio Trust prior to the Allotment Date (see Section 9.9 of this Prospectus). To obtain this exposure, the Portfolio Trust will provide collateral through either (i) converting the Loan Note Proceeds into US dollars and investing these US dollars directly into the Portfolio, (ii) converting the Loan Note Proceeds into US dollars and lodging these US dollars with the Leverage Provider as collateral where it will earn interest, or (iii) lodging the Australian dollar amount with the Leverage Provider as collateral where it will earn interest.

It is intended that after 31 August 2005 the actual Leverage Ratio will vary between 4.5 and 6.5 times but may vary outside this range from time to time. The Leverage Provider is expected to have certain rights (including liquidation of the Portfolio) if the Leverage Ratio exceeds certain levels. These rights are described in Section 5.5.5 of this Prospectus and should be considered.

The Leveraged Exposure is expected to have an initial term of at least one year. At the end of this period the Portfolio Trust will be required to renegotiate further financing. From time to time Fortress will also have the ability to repay or re-negotiate the Leveraged Exposure.

Senior Loans are an asset class that have demonstrated positive returns, on an unleveraged basis across varying economic cycles. However you should note that past performance is not a guide to future performance. Instability may be experienced by Senior Loans in the future and the Fortress Notes may sustain losses as well as gains. These losses may breach limits imposed by the Leverage Provider who may then divert payment of interest or liquidate the Portfolio (see Section 5.5.5 of this Prospectus). The effect of the leveraging may increase the size of any loss or gain. For a further description of the Portfolio and its characteristics, see Sections 2.5 to 2.10 and 4 of this Prospectus.

The Portfolio Trust may be permitted to use the leverage to pay certain operating expenses.

Please see Section 3.1.3 for details of the cost of the Leveraged Exposure.

Benefits of Gearing

Gearing (borrowing to invest) provides more funds with which to make investments. As the dollar value of the return on the investment relates to the amount that is invested, borrowing money to increase your investment has the potential to multiply your return. It also has the potential to multiply the losses, and there are costs associated with the borrowing that can further reduce your investment returns.

2.15 How Is The Interest Generated?

Fortress Notes pay a variable Interest Rate which is calculated at the end of each Quarter. The Interest Rate is determined by reference to the interest payable on the Loan Notes. This will be set at the end of each Quarter and will depend upon the prevailing BBSW and the Portfolio Margin.

The Interest Rate on the Fortress Notes is forecast to be, for the first full year after the end of the Initial Investment Period, approximately 10.25%.

The forecast Interest Rate is based upon a number of assumptions (which are set out in Section 3.1.1 of this Prospectus). The Interest Rate applicable to the Fortress Notes is expected to vary over the term due to the performance of the assets held by the Portfolio Trust. It is important to note that the Portfolio Margin may be less than zero and may reduce the Interest Rate below the BBSW and possibly to zero for a particular period or periods (please refer to Section 3 for further details). Furthermore, the ability to repay principal at Maturity may be impaired if the Interest Rate is reduced to zero.

Whilst Fortress believes it has a reasonable basis for its Interest Rate forecasts, there is no guarantee that this forecast will be achieved or that the assumptions on which the forecast is based will be realised in the future.

It is not anticipated that there will be any withholding of amounts from interest payments on the assets in the Portfolio.

2.16 How Often Will Interest be paid?

Interest on the Fortress Notes (if any) will be calculated quarterly for the Quarters ending February, May, August and November, and will usually be paid by the end of the month following the Quarter end. The first payment (if any) for Fortress Notes issued under this Prospectus will be for the period from issue of the Fortress Notes to 31 August 2005 (see Section 9.2 of this Prospectus).

2.17 Size Of The Offer

The maximum amount sought to be raised from the issue of the Fortress Notes pursuant to this Prospectus is $70 million. However, Fortress may accept oversubscriptions.

Fortress reserves the right to amend the maximum issue size at its discretion and to issue further classes of the Fortress Notes and/or further Series of Fortress Notes.

2.18 How Do I Exit My Investment?

Once Fortress Notes are listed, Fortress Noteholders may be able to sell them on the ASX. Listing may provide liquidity however there is no guarantee that an active or liquid secondary market will develop.

Fortress Noteholders are not entitled to terminate or redeem their investment until either of the following dates:

(i) the date which falls on each successive 9 years after the Initial Investment Period (the "Early Exit Dates"); or

(ii) the date of Maturity of the Fortress Notes.

Upon the occurrence of an Early Maturity event (as outlined in Section 9.2 of this Prospectus) the Fortress Notes may be redeemed early.

Fortress intends to allow investors to redeem their Fortress Notes on any of the Early Exit Dates. Any such redemption will be at a premium or discount to the Face Value of the Fortress Notes depending on the redemption amount for Loan Notes received by Fortress (see Section 9.2 of this Prospectus). If following such redemption the Portfolio Trust is unable to maintain a sufficiently diversified Portfolio, Fortress may decide to redeem all Loan Notes.

The Leveraged Exposure is expected to have an initial term of at least one year. At the end of this period the Portfolio Trust will be required to renegotiate further financing. In the event that the Leveraged Exposure cannot be renegotiated on terms acceptable to the Portfolio Trust (which may differ from the terms set out in this Prospectus) the Loan Notes may be redeemed. If this happens, Fortress may redeem the Fortress Notes before their stated Maturity.

2.19 Buyback Initiated By Fortress

Subject to compliance with applicable laws, ASX listing rules, and the consent of ASX, Fortress may offer to buy back Fortress Notes at any time. Fortress is not bound to buy back any Fortress Notes or to make a market in Fortress Notes. Fortress Notes purchased by Fortress will be cancelled, and a corresponding number of Loan Notes redeemed. The resulting return from redemption of the Loan Notes (if any) will be reflected in the amount paid on the Fortress Notes.

2.20 Classification of Fortress Notes

Fortress Notes are classified as unsecured notes for the purposes of Section 283BH of the Corporations Act. The recourse of the holders of Fortress Notes Offered under this Prospectus is limited to the Security assets. That is the current series of Loan Notes issued by the Portfolio Trust. Fortress Notes are secured by a charge held by the Notes Trustee over the Fortress assets which is expected to be subordinated to any security granted to a Leverage Provider and foreign exchange provider (see Section 9.3 of this Prospectus). Fortress Noteholders are secured creditors of the Fortress Notes Trust and do not have any beneficial interest in the Fortress Notes Trust.

Even though Fortress Notes are, for the purposes of the Corporations Act, classified as unsecured notes, this does not affect the nature of the floating charge held by the Notes Trustee to secure payment to the holders of the Fortress Notes.

2.21 What Fees are Payable[8]?

Application Fee

An Application Fee of up to 2.2% of all amounts invested will be payable to Fortress. This amount is deducted by Fortress from your Application Money and so is not used to acquire Fortress Notes.

Where you have indicated that you have a financial adviser or broker, your adviser or broker may be paid an up front commission of up to 2.2% by Fortress. Fortress may use the Application Fee to pay this commission.

To rebate this commission your adviser or broker must complete the relevant section of the Application Form.

Trail Fee

Your financial adviser or broker may also be paid quarterly a trail commission equal to 0.275% per annum on the Face Value of your Fortress Notes. These commissions will be paid by the Macquarie Bank Group out of its own funds and are not an additional fee borne by investors.

Please note that a trail fee will only be paid on investments made under this Prospectus where the Application Form bears the advisors or brokers stamp. Trail fees will cease to be paid once the relevant Fortress Notes have been transferred from the original holder. This will be evidenced by a change in the original holder's Holder Identification Number (HIN) recorded with CHESS. Even where the holder remains the same, a change in HIN will result in the termination of the trail fee.

Fortress may enter into arrangements with advisers to provide non-monetary or monetary benefits to advisers other than the commissions discussed above. Examples of non-monetary benefits include conferences, professional development, accommodation or travel. These benefits may be provided to advisers in addition to, or instead of, commissions.

Trustee Fee

A trustee fee of $50,000 (exclusive of GST) per annum plus the Application Fee (as described above) will be payable to Fortress for its role as trustee of the Fortress Notes Trust.

Notes Trustee Fees

An establishment fee of up to $10,000 will be payable to the Notes Trustee. An ongoing annual fee of 0.02% of the amount of Fortress Notes on issue is payable to the Notes Trustee, with a minimum annual fee of $20,000. The Notes Trustee is also entitled to reimbursement of expenses (including legal expenses) reasonably incurred in relation to its services.

Portfolio Trust Fees

The fees and expenses payable out of the Portfolio Trust may indirectly affect the Interest Rate applicable to the Fortress Notes. See Section 3 of this Prospectus for further details.

From time to time the Portfolio Trust will be paying fees associated with the provision of the Leveraged Exposure. Furthermore, the Portfolio Trust may pay an arranger's fee (to MBL or another investment bank) for structuring and assisting it to obtain the debt, however these

[8]Unless otherwise expressly provided, all fees and commissions are inclusive of GST.

fees, if any, will not cause the total all in cost of the Leveraged Exposure to exceed 0.75% per annum above the London Interbank Offered Rate (LIBOR).

The trustee of the Portfolio Trust has engaged the Asset Manager and if the Portfolio is held directly a custodian may be appointed on market terms. The fees payable to the Asset Manager and any custodian will be paid from the Portfolio Trust.

The Asset Manager's fee is 0.9% per annum of the value of the Portfolio and is payable Quarterly. The full 0.9% per annum will be paid for the Initial Investment Period. Thereafter, up to half of the fee will be rebated if the interest paid on the Loan Notes is lower than the Benchmark Rate. The Benchmark Rate is BBSW + 4.5% per annum, calculated Quarterly (at current interest rates this would equate to a return of 10.25% per annum). The return will be measured by reference to the face value of the Loan Notes and after removing the effect of any extraordinary expenses of Fortress that are payable by the Portfolio Trust out of such returns.

A Performance Fee of up to 0.30% per annum on the value of the Portfolio will be calculated and payable to the Asset Manager Quarterly if the interest paid on the Loan Notes in effect exceeds BBSW + 5% per annum for that Quarter (calculated by reference to the face value of the Loan Notes). This fee payment may be retained in part by the Portfolio Trust where further payment of the fee would reduce the Quarterly return on the Loan Notes below BBSW + 5% per annum. Where the fee is not paid in full for this reason the unpaid balance shall be forfeited by the Asset Manager.

In addition the Portfolio Trust may make Quarterly payments of expenses associated with the Fortress Notes Trust and, if it does this will reduce the interest on the Loan Notes. This does not affect the overall payment to the Noteholders as those expenses would otherwise be paid by Fortress using the amounts received from payments on the Loan Notes.

Establishment Costs

Costs of the Offer (up to a maximum of $600,000 excluding GST) will be recovered from the earnings of the Fortress Notes Trust over five years at an amount of up to $30,000 per Quarter. To the extent the actual costs of the Offer are less than $600,000, the amount to be recovered out of earnings will be reduced. To the extent the costs of the Offer exceed $600,000, the excess will be met by Fortress and will not be charged to the Fortress Notes Trust.

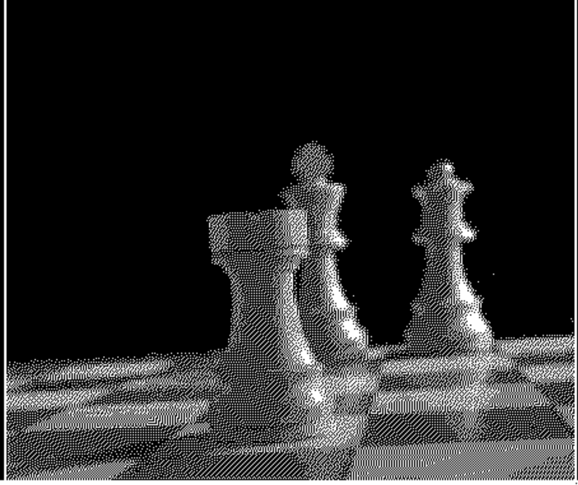
Expenses

Fortress is entitled to be paid costs, charges, expenses and outgoings that are reasonably and properly incurred by Fortress in relation to the Fortress Notes Trust and the Fortress Notes from the property of the Fortress Notes Trust including listing, audit and registry fees. Fortress has provided for payment on its behalf by the trustee of the Portfolio Trust of such costs, charges, expenses and outgoings. The payment of, or allowance for, these amounts (either from the property of the Fortress Notes Trust or the Portfolio Trust) may be taken into account when determining the interest and/or principal payments in respect of the Loan Notes and the interest and/or principal payments in respect of the Fortress Notes. Expenses incurred by the Asset Manager in relation to its management of the Portfolio will also be reimbursed by the Portfolio Trust.

Amendments to the Fees

The above fees that may be charged or retained by Fortress may be altered after giving at least 30 days prior notice, up to the maximum (if any) set out in the Fortress Notes Trust Deed.

Additionally, the fees charged by service providers may change from time to time. Such additional expenses shall be borne by Fortress and this may affect the return on Fortress Notes.



Returns

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Fortress Noteholders' returns will consist of interest payments which are intended to be made Quarterly, as well as the amount received on the sale or Maturity of the Fortress Notes. The first interest payment date for Fortress Noteholders who apply under this Prospectus is within one month of 31 August 2005.

The returns on the Fortress Notes are dependant upon the interest payable on the Loan Notes. Interest is payable on the Fortress Notes only if a corresponding interest payment is received on the Loan Notes from the Portfolio Trust. Similarly, the repayment of the Face Value on the Maturity Date will be dependent upon Fortress receiving a corresponding amount for the redemption of the Loan Notes.

No rate of return, performance, nor repayment of principal of the Fortress Notes is promised or guaranteed by Fortress, the Arranger, Macquarie Bank, any member of the Macquarie Bank Group, the Notes Trustee or any other entity. Fortress, in its capacity as trustee of the Fortress Notes Trust, is the entity legally obliged to make any interest payments and any repayments of principal on the Fortress Notes as required by the conditions of the Fortress Notes.

Tax is likely to impact on your returns as discussed in Section 7 of this Prospectus.

3.1 Forecast Returns

The Interest Rate on the Fortress Notes for a particular Quarter will be determined by the interest rate paid by the Portfolio Trust to Fortress in respect of the Loan Notes for that Quarter. This will depend upon the prevailing BBSW and the Portfolio Margin. It is important to note that the Portfolio Margin may be less than zero and may reduce the Interest Rate on the Fortress Notes below BBSW and possibly to zero for any particular period or periods.

Based on the assumptions explained in this section the interest payable to Fortress Noteholders is projected to be 10.25% per annum for the 12 month period following the Initial Investment Period (1 September 2005 to 31 August 2006) assuming the total Face Value outstanding on the Fortress Notes is $50 million. Interest is intended to be paid within one month of the end of each Quarter.

A simple example of the revenue model used to obtain the 10.25% per annum target is set out below. **This example does not take into account credit losses, trading gains or losses, assumes that the component of the interest rate payable on the Loan Notes which is referable to BBSW is paid in full and also does not take into account administrative costs[9]. A description of each of the assumptions follows the model.**

Investors should visit the Macquarie Fortress Notes website at www.macquarie.com.au/fortressnotes for updated information relating to forecasts.

[9]Credit losses are a function of the Default Rate (the value of loans that go into default expressed as a percentage of the total value of loans) and the Recovery Rate (a percentage rate reflecting the number of cents in the dollar that are realised on the Senior Loan in the event of default on a loan). Credit losses will reduce the return generated for investors.

	Average loan margin on the Portfolio expressed as a margin over LIBOR (per annum)[10]	2.40%
Less	Cost of obtaining Leveraged Exposure for the 6x leverage expressed as a margin over LIBOR (per annum)[11]	0.75%
Less	Annual management fees (per annum)[12]	0.90%
Equals	Net margin before credit losses (per annum)	0.75%
Multiplied	By the Leverage Ratio[13]	6 times
Equals	Net US dollar income assuming no credit gains or losses on geared exposure (per annum)	4.5%
Plus	BBSW[14]	5.75%
Equals	Total income (per annum)	10.25%

[10]Average credit margin: The Portfolio Trust's Portfolio will include exposure to Senior Loans with credit margins generally ranging between 1.5% per annum and 6% per annum depending on current market conditions for credit margins and the overall credit quality of the Portfolio. Based on current market conditions, it is expected that the average credit margin will be approximately 2.40% per annum, although it may be higher or lower than this.

[11]Cost of obtaining Leveraged Exposure: The Portfolio Trust has engaged MBL to identify a Leverage Provider and arrange the Leveraged Exposure on terms consistent with those described in Section 9.9 of this Prospectus. MBL may be paid an arranger's fee for this role. The total cost of the Leveraged Exposure (including the arranger's fee, if any) will not exceed 0.75% per annum above the London Interbank Offered Rate (LIBOR) for the forecast period. Section 3.1.3 of this Prospectus provides more information on the operation of the interest rate for the Leveraged Exposure.

[12]Management fees: A management fee of 0.9% per annum of the value of the Portfolio which the Portfolio Trust has exposure to is payable quarterly to the Asset Manager. After the Initial Investment Period the payment of a portion of the management fee is subject to a rebate arrangement in the event that a return equal to the Benchmark Rate is not achieved. Further details are included in Sections 2.21 and 3.1.4 of this Prospectus. A performance fee may also be payable.

[13]Leverage Ratio: The Leverage Ratio is the amount of Leveraged Exposure divided by the total of the US dollar Equivalent Amount of the proceeds of all loan notes issued by the Portfolio Trust plus any gains or minus any realised and unrealised losses on the Portfolio. A Leverage Ratio of 6 times signifies that for every dollar of Note Proceeds, there is 6 times that amount exposed to the Portfolio. Further detail on the Leverage Ratio is included in Section 3.1.7 of this Prospectus.

[14]BBSW Return: It is intended that the Australian dollar floating rate may be earned via either (i) a security deposit held in Australian dollars earning interest at BBSW or by (ii) entering into foreign exchange hedges and investing the US dollar principal into LIBOR generating investments. The Portfolio Trust may utilise other methods of earning this interest rate in the future. See Section 3.1.8 of this Prospectus for further information.

What is a Credit Margin?

A credit margin is the amount that a lender charges a borrower above a benchmark interest rate. So if a lender charges a borrower a margin of 3% per annum, and the benchmark interest rate, such as the Australian quarterly BBSW is 5% per annum, then the interest rate charged to the borrower is 8% per annum.

Investors should note that a key assumption underlying the forecast returns is that there is no current intention to invest in Permitted Future Investments. Certain Permitted Future Investments tend to exhibit different characteristics, including higher default rates, lower recovery rates, higher credit margins and different interest rate basis than Senior Loans. Please see Section 5.5.6 of this Prospectus for more information on Permitted Future Investments.

Because of the time it is expected to take for Four Corners to identify acceptable assets to add to the Portfolio, there will be an Initial Investment Period that will end on 31 August 2005. Fortress expects that the Interest Rate applicable to the Fortress Notes up to 31 August 2005 (being the end of the Initial Investment Period) will be approximately equal to the BBSW (but will not exceed it and may be less). At the date of this Prospectus, the BBSW is approximately 5.75% per annum.

3.1.1 Methodology and Accounting Policies

Unless otherwise specified, the projected yields are calculated using the Face Value of the Fortress Notes, and therefore, do not include the impact of the upfront Application Fee. All calculations assume that the total face value of the Fortress Notes is $50 million.

Interest income, interest expense, establishment costs, management retentions and fees have been projected on an accruals basis at the margins and rates described in Table 1.

The financial model does not take into account realised or unrealised trading gains or losses (except for the credit loss assumptions), foreign exchange rate losses or gains or any accounting provisions. Trading gains or losses would occur where Four Corners decides (or is required) to sell an asset at a price above or below its original cost. Four Corners may decide to sell an asset for a price below its cost where it has concerns about the credit quality of the underlying borrower. If there were realised trading losses, the projected yield would be lower and could be zero or result in an impairment of the Portfolio Trust's ability to repay capital. If there were realised trading gains, the projected yield would be higher.

Subsequent financial reporting under International Financial Reporting Standards will make allowance or adjustment for these matters, but they are not expected to impact on the projected yields.

Furthermore, projected yields and all commentary in this Section assumes that Four Corners will not invest in Permitted Future Investments during the forecast period.

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Table 1: Key assumptions underlying yield forecasts

VARIABLES ON WHICH ASSUMPTIONS WERE MADE WHEN CALCULATING FORECAST YIELD	12 MONTHS COMMENCING 1 SEPTEMBER 2005
Average credit margin above the reference rate on Senior Loans (per annum)	2.4%
Cost above the reference rate of Leveraged Exposure (per annum)	0.75%
Management fees (per annum)*	0.9%
Portfolio Default Rate (per annum)	1%
Recovery Rate on defaulting loans	70%
Leverage Ratio	6 times
BBSW (per annum)	5.75%
Annual Ongoing Fees Payable (per annum)	AUD$340,000

* Subject to rebate and profit sharing arrangements.

PricewaterhouseCoopers Securities Ltd (PwC) has reviewed, and prepared a report on, the financial model that was used to calculate the forecast Interest Rate of 10.25%. A copy of PwC's report is reproduced in Section 8 of this Prospectus.

A discussion of each of these assumptions is set out below. Projections of how the yields are likely to change, as the assumptions used to calculate them change, are also set out below. These assumptions directly affect the performance of the Portfolio Trust's leveraged Portfolio and the principal and/or interest payable by the Portfolio Trust to Fortress in respect of the Loan Notes. This, in turn, will affect the principal and/or interest payable to the Fortress Noteholders.

As mentioned above, a key assumption is that Permitted Future Investments are not included in the Portfolio during the forecast period. Permitted Future Investments tend to exhibit different characteristics, including higher Default Rates, lower Recovery Rates, higher credit margins, and a different interest rate basis to Senior Loans. See Section 2.10 for more information on Permitted Future Investments.

3.1.2 Average Credit Margin

The forecast Interest Rate applicable to the Fortress Notes assumes the average credit margin on the Senior Loans will be 2.40% per annum.

Credit margins vary from asset to asset and reflect the price that lenders require to be paid for the credit risk inherent in the loan. Credit risk is a function of the borrower's ability to repay its obligation as well as the quality of the security provided by the borrower. Generally, borrowers with higher credit ratings or more attractive security packages will borrow at lower credit margins above a reference interest rate, such as LIBOR. In addition to credit risk, the level of demand for loans by lenders and the supply of loans by borrowers (both new loans and secondary market trading) will affect the price and the credit margin.

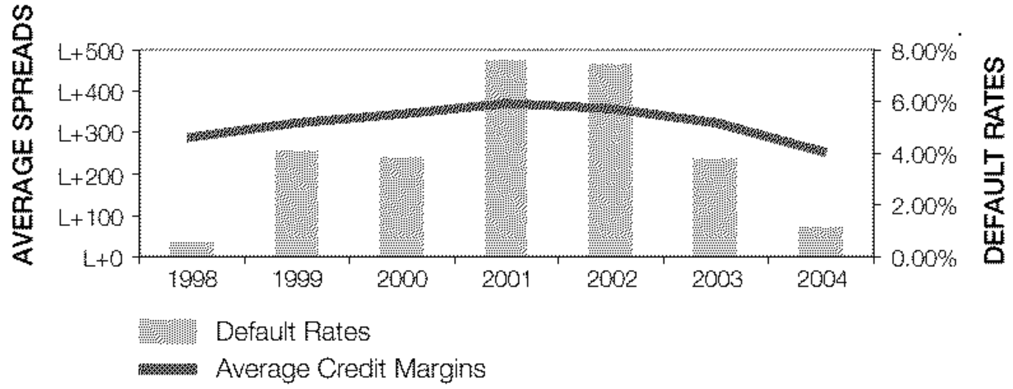
The Senior Loan market in 2004 was characterised by the strong supply of Senior Loans by issuers mainly due to a high level of refinancings, mergers and acquisitions, leveraged buy-outs and an improving US economic environment. In the nine months to 30 September 2004, the level of new issues of Senior Loans was US$344 billion, a new record for the market. The strong supply of Senior Loans is expected to continue in 2005, driven mainly by mergers and acquisitions activity. In addition, the Institutional Loan Market in the United States, from which the majority of the Senior Loans that will comprise the Portfolio will be sourced, exceeds US $300 billion, and a record US$160 billion of Institutional Loans were issued in the first nine months of 2004.

Demand remains strong for new loans as a result of low default levels and strict underwriting standards, putting continued downward pressure on credit margins. 2004 saw strong buying of Senior Loans by investors. Institutional investors (non-banks) represented 64% of the market for Senior Loans. During 2004 there were 170 institutional investors participating in the Senior Loan market in the U.S., which was up from the 132 institutional investors in that market in 2003 and 86 investors in 2002.

Figure 2 shows the changes in credit margins over time for borrowers in the BB/B ratings categories. The graph also shows how credit margins respond to credit defaults in the market.

As can be seen in Figure 2, there has been a reduction in average credit margins since 2002 as lenders responded to lower borrower

Figure 2: Average Credit Margins and Default Rates for Institutional Loans



Source: CSFB, Standard and Poor's Leveraged Commentary and Data defaults. The last quarter of 2004 has seen credit margins fall to record lows. During the period from May 2004 through to 31 January 2005, Four Corners has selected a portfolio for an Australian fund with similar investment and diversification guidelines to those of the Portfolio Trust (but does not include Permitted Future Investments). The average credit margin referable to this portfolio was approximately 2.5% per annum. Given the credit margin of approximately 2.5% per annum was achieved by Four Corners during a time of low credit margins, Fortress is of the view that an average credit margin of 2.4% per annum is a reasonable basis on which to make projections. The projected yield of 10.25% for the 12 month period (from 1 September 2005 to 31 August 2006) is forecast on the basis of this assumption. There can be no assurance that these credit margins will be achieved in the future.

3.1.3 Cost of Leveraged Exposure

The Portfolio Trust has engaged MBL to introduce it to a Leverage Provider and arrange the Leveraged Exposure on terms consistent with those described in Section 9.9 of the Prospectus. MBL may be paid an arranger's fee for this role. The total cost of the Leveraged Exposure (including the arranger's fee, if any) will not exceed 0.75% per annum above the London Interbank Offered Rate (LIBOR) for at least the period ending one year after the end of the Initial Investment Period (see Section 9.9 of this Prospectus). In addition to this cost the Leverage Provider may charge an unused facility fee and may have certain rights to increase the cost of the Leveraged Exposure in the event there are increased costs, if it becomes illegal to continue to provide the arrangement or due to other factors beyond the control of the Leverage Provider. See section 5.5.5 for further information.

The conditions of any Leveraged Exposure are expected to be renegotiated at the end of this term but may be renegotiated or repaid sooner at the discretion of the Portfolio Trust. As a result the cost of the Leveraged Exposure may rise or fall. The cost of the Leveraged Exposure after the initial term will be influenced by market factors such as credit margins prevailing at that time and the availability of finance.

3.1.4 Management Fees

The Asset Manager's fee is 0.9% per annum of the value of the Portfolio and is payable Quarterly. The full 0.9% per annum will be paid for the Initial Investment Period. Thereafter, up to half of the fee will be rebated if the interest paid on the Loan Notes is lower than the Benchmark Rate. The Benchmark Rate is BBSW + 4.5% per annum, calculated Quarterly (at current interest rates this would equate to a return of 10.25% per annum). The return will be measured by reference to the face value of the Loan Notes and after removing the effect of any extraordinary expenses of Fortress that are payable by the Portfolio Trust out of such returns.

A Performance Fee of up to 0.30% per annum of the value of the Portfolio assets will be calculated and payable to the Asset Manager Quarterly if the interest paid on the Loan Notes exceeds BBSW + 5% per annum for that Quarter (calculated by reference to the face value of the Loan Notes). This fee payment may be made in part where further payment of the fee would reduce the Quarterly return on the Loan Notes below BBSW + 5% per annum. Where the fee is not paid in full for this reason the unpaid balance shall be forfeited by the Asset Manager.

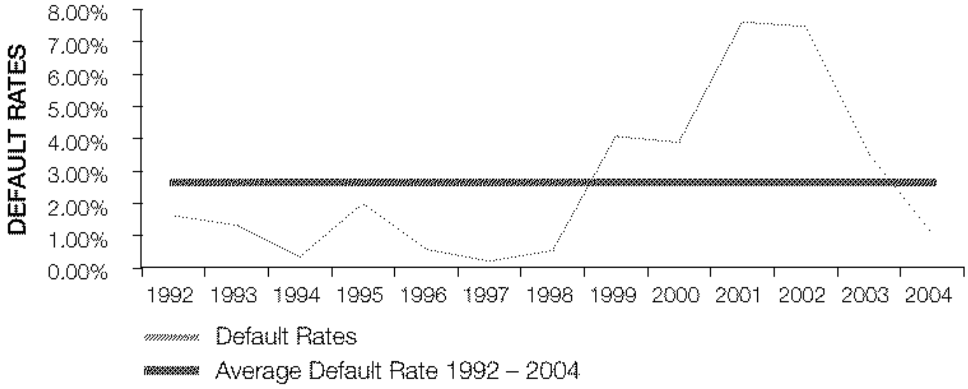
Investors should be aware that none of the trustee of the Portfolio Trust, the Asset Manager, Fortress, the Arranger, the Notes Trustee, Macquarie Bank or any member of the Macquarie Bank Group guarantee the payment of interest or the repayment of the principal on the Fortress Notes.

3.1.5 Default Rate

The forecast Interest Rate applicable to the Fortress Notes assumes the Default Rate will be 1% per annum of the value of the Portfolio.

The Default Rate is a measure of the dollar value of defaulting loans over a 12 month period as a percentage of the average value of all loans over the same period of time. The Asset Manager has not experienced a default in portfolios managed with similar investment guidelines to those of the Portfolio Trust, in the period since its management activities began in February 2002. However, there is no assurance that this record will continue to be achieved and the Asset manager expects that the Portfolio

Figure 3: Institutional Loan Default Rates 1992–2004



Source: Credit Suisse First Boston

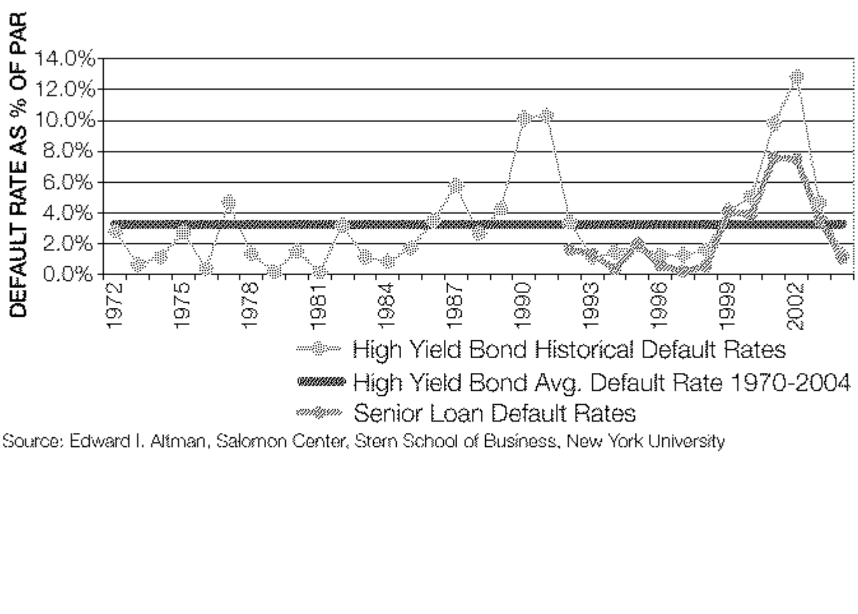
will, from time to time, experience defaults and distressed sales. The average Default Rate for Senior Loans for the period between 1992 and 2004 was 2.6%[15] per annum as highlighted in Figure 3 above.

Standard and Poor's reported default rates of 1.1% by issuer for the 2004 calendar year, the lowest annual level since it started tracking data in 1998. Standard and Poor's frequently publish their outlook for credit markets and the December 2004 publication of the Standard and Poor's Leverage Lending Quarterly Report states that it is their view that defaults (measured by number of loans) in the Senior Loan market will be 0.64% for the 12 months ending 31 December 2005.

Default Rates vary with a range of factors including the credit quality of the borrower and general economic conditions. It is possible to identify cycles in Default Rates which indicate that, following periods of above average Default Rates, lenders impose stricter credit requirements on new loans. These requirements may be in the form of requiring higher interest cover ratios or more conservative gearing ratios. The market is currently seeing the first stages of a relaxation of credit requirements as credit margins reach record lows, pointing to a higher defaults expectation beyond the 2005 calendar year.

Figure 4 shows the historical Default Rates for high yield bonds in the US. The data for high yield bonds is included because it includes over 30 years of data and provides a good historical perspective. Whilst high yield bonds are a different asset class to Senior Loans, Senior Loans have also experienced cyclical Default Rates similar to high yield bonds. Figure 4 is included only to illustrate that in certain past circumstances following a period of high defaults, it has been possible to observe a

Figure 4: Historical Default Rates For The High Yield Bond Market 1972 – 2004 and Senior Loans 1992–2004



Source: Edward I. Altman, Salomon Center, Stern School of Business, New York University

[15]Source: Credit Suisse First Boston

period of below average defaults before the cycle repeats itself. Senior Loan defaults are included for the period for which they are available.

It is also possible to observe the improving credit requirements that have been imposed on borrowers by examining the trend in gearing ratios and interest cover ratios for the 17 years between 1987 and 2004. Figure 5 demonstrates that the proportion of debt relative to cash flows measured as company EBITDA (ie Earnings before Interest, Tax, Depreciation and Amortisation) has, on average, fallen over the last 17 years. The slight increase in average debt multiples in 2004 reflects the first stages of the markets move to less stringent debt service requirements, but still represents levels well below historical averages.

Figure 6 shows that a ratio commonly used by lenders to ascertain the ability of borrowers to meet loan obligations is also improving. While the debt/EBITDA levels above represent the dollars of debt per dollar of cash flow, interest cover ratios are, in Four Corners' opinion, a better indicator of a company's ability to meet its operating and debt service obligations. This figure shows that, on average, company EBITDA is now a much higher multiple of the amount of cash interest and capital expenditures that is required to be paid. This indicates that, on average, companies are now more financially able to make payments under their loan facilities. In particular the figure demonstrates the response of lenders

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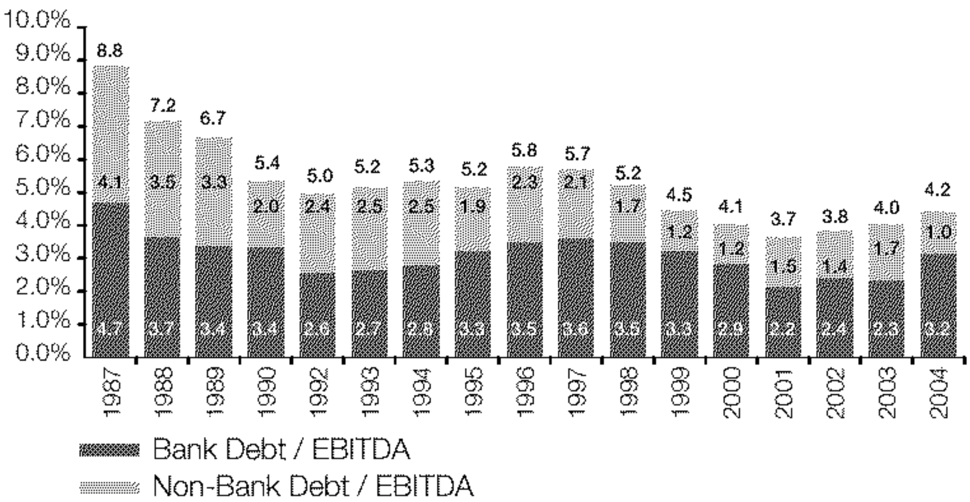
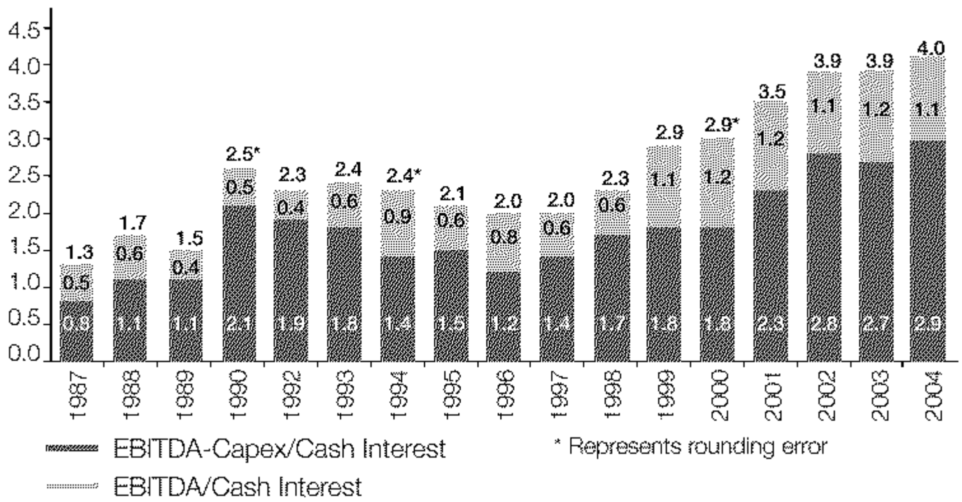
Figure 5: Average Debt Multiples of Highly Leveraged Loans



Source: Standard and Poor's Leveraged Commentary and Data, Standard and Poor's/LSTA Leveraged Loan Index

Figure 6: Average Cash Flow Multiples of Highly Leveraged Loan



Source: Standard and Poor's Leveraged Commentary and Data, Standard and Poor's/LSTA Leveraged Loan Index to the record default levels of 2001 and 2002, with higher cash flow multiples of loans being observed.

Notwithstanding this encouraging trend, the market is beginning to see an increase in leverage as measured by debt/EBITDA driven by lenders' willingness to provide additional debt financing to borrowers as a result of the generally improving U.S. economy and low Default Rates. With the current low interest rates, borrowers are able to sustain higher leverage multiples without a material adverse impact on the interest cover ratio (EBITDA/ interest). This may not be the case if interest rates rise appreciably. However, even though Senior Loans have floating rates of interest, borrowers are typically required to hedge some portion of their floating rate debt so that they have some protection if interest rates move appreciably.

Given the following factors:

- improving credit quality of borrowers;
- the credit market's current place in the credit cycle (i.e. a period of low defaults);
- the defaults expectations of market observers such as Standard and Poor's; and
- the assumption that the Portfolio will not include Permitted Future Investments during the period considered (12 months after the end of the Initial Investment Period for the first issue of Fortress Notes);

Fortress believes that a Default Rate of 1% is a reasonable estimate of the likely defaults that Senior Loans in the Portfolio will experience during the 12 month period following 31 August 2005, and the projected yield of 10.25% is made based on this assumption.

3.1.6 Recovery Rate

The forecast Interest Rate applicable to the Fortress Notes assumes the Recovery Rate will be 70% of the value of defaulting loans in the Portfolio.

The Recovery Rate is the measure of how many cents in the dollar are received by lenders if a borrower defaults. The Asset Manager has not experienced a defaulting loan in a portfolio managed with guidelines similar to the Portfolio and, therefore, does not have a meaningful record of Recovery Rates.

Observing the market as a whole, Table 2 shows that for the period from 1988 to the second quarter of 2004, Recovery Rates for the Senior Loan asset class were 77.1%. All statistics in this section are based on discounting the actual recoveries back to the date of default at the interest rate implicit in the loan. That is to say, on Senior Loans where borrowers defaulted on their obligations, lenders received, on average, an amount equal to a present value of 77.1 cents in every dollar that was due to be paid. The Recovery Rate for 2003, the latest period in which full-year data is available, is 69%. Recovery Rates for the Senior Loans market were lower in 2003 due in part to some defaulting borrowers in the telecommunications industry having rapidly depreciating assets which reduced the realised value of the assets pledged as security.

These comparatively high Recovery Rates for Senior Loans reflect the fact that this type of loan is senior (typically among the first debt obligations repaid in an insolvency) and secured by tangible and intangible assets. Recovery Rates for different debt categories are described in Table 2.

Table 2: 17 Year Recovery Rates of Different Debt Categories

	RECOVERIES (1988 – Q2 2004)
Senior Loans	77.1%
Senior Unsecured Notes	42.7%
Senior Subordinated Notes (High Yield Bonds)	31.2%
Subordinated Notes (High Yield Bonds)	30.1%
Junior Subordinated Notes (High Yield Bonds)	19.9%

Source: Standard and Poor's LossStats Database

Recovery Rates will vary between industries and individual companies due to differences in the value of the enterprise and of the assets that are able to be sold if the company defaults on the loan and the capital structure employed. Recovery Rates tend to be lower when Default Rates are high as seen in Table 3.

Given the Recovery Rate of 69% for 2003, the improved recovery rate for the first half of 2004, low expectations of defaults and the improving credit requirements imposed by lenders on borrowers in response to high Default Rates in recent years (as discussed above), Fortress believes that 70% provides a reasonable estimate of the Recovery Rate for loans which default during the 12 month period following 31 August 2005 and this figure has been used in formulating the forecast Interest Rate.

3.1.7 Leverage Ratio

The forecast of the Interest Rate applicable to the Fortress Notes assumes the Leverage Ratio will be six times.

The Leverage Ratio is a measure of the extent of Leveraged Exposure the Portfolio Trust has to the Portfolio. The Leverage Ratio is generally calculated as the outstanding amount of the Leveraged Exposure divided by the US dollar value of the proceeds of the loan notes issued by the Portfolio Trust plus any gains or minus any losses (realised or unrealised) on the Portfolio. The higher the Leverage Ratio, the higher the potential earnings from the Loan Notes issued by the Portfolio Trust to Fortress, and the higher the risk should the value of the assets within the Portfolio fall.

Once the Portfolio Trust is fully exposed to Senior Loans, the Leverage Ratio is intended to vary between 4.5 and 6.5 times (although it may vary outside of this range from time to time due to factors such as changes in the market value of the Portfolio as well as realised gains or losses on the Portfolio or where the Asset Manager believes it is in the interests of investors). The Leverage Provider may stop the payment of interest and even force the sale of the Portfolio Assets should the Leverage Ratio rise above pre-agreed levels. In the event the Leverage Ratio exceeds 6.5 times, the Asset Manager or the Leverage Provider may instruct the Trustee of the Portfolio Trust to suspend interest payments on the Loan Notes until such time as the Leverage Ratio falls to an acceptable level. If there is no interest paid on the Loan Notes, no interest can be paid on the Fortress Notes.

Additionally, if the Leverage Ratio is above a specified number (falling within the range of 7 to 10), the Leverage Provider will be able to require the Leveraged Exposure to be repaid in full or the Total Return Swaps arrangements terminated. Where this occurs, the Portfolio assets will be liquidated, the Portfolio Trust must repay the Loan Notes and Fortress may repay the Fortress Notes unless other appropriate arrangements are available. Any repayment of the Loan Notes can only be made from amounts available to the Portfolio Trust after it has paid all amounts due to the lender under the Leveraged Exposure.

The Leverage Ratio triggers set out above may change when the Portfolio Trust seeks to refinance this facility and may have higher or lower trigger points depending on what is available in the market when the Leverage Facility is refinanced.

Investors should note that the Leverage Ratio may also fall below 4.5 times if the Asset Manager believes this is in the best interests of investors or where adverse conditions in the market for Portfolio assets limit the availability of appropriate investments.

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Table 3: Senior Loan Recovery Rates and Senior Loan Default Rates 1992 –2004

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average
Senior Loan Recoveries[16]	90%	87%	82%	95%	90%	84%	78%	74%	79%	73%	72%	69%	>77%*	81%
Senior Loan Defaults[17]	1.6%	1.3%	0.4%	2.0%	0.6%	0.2%	0.5%	4.1%	3.9%	7.6%	7.5%	3.5%	1.1%	2.8%

*Data only available for the first half of 2004.

[16] Source: Standard and Poor's Loss Stats Database.
[17] Source: Credit Suisse First Boston.

3.1.8 BBSW

The forecast of the Interest Rate applicable to the Fortress Notes assumes that the prevailing BBSW will be approximately 5.75% per annum.

It is intended that the Australian dollar floating rate may be earned via either (i) a security deposit held in Australian dollars earning interest at BBSW; by (ii) converting the Loan Note Proceeds into US dollars and investing these US dollars directly into the Portfolio; or (iii) converting the Loan Note Proceeds into US dollars and lodging these US dollars with the Leverage Provider as collateral where it will earn interest. The Portfolio Trust may utilise other methods of earning this interest rate in the future. The BBSW will vary over the term of the investment. The BBSW is a market determined rate and is approximately 5.75% per annum at the date of this Prospectus.

3.1.9 Costs and Fees

Application Fee

For the purposes of the forecast Interest Rate applicable to the Fortress Notes the Application Fee of 2.2% has not been taken into account as it is deducted prior to the issue of Fortress Notes.

If the Interest Rate forecast was based on Subscription Amounts, which include Application Fees, the projected Interest Rate would be 10.02% per annum.

Establishment Costs, Notes Trustee Fees and Annual Ongoing Fees

The forecast Interest Rate assumes the following annual fees:

Table 4: Fee Assumptions

TYPE OF FEES	AMOUNT
Notes Trustee fees	$20,000
Custodian fees	$150,000
Issuer fees	$50,000
Recovery of establishment costs	$120,000
Total	**$340,000**

3.2 Sensitivity Analysis

This section shows the impact on the projected Interest Rate as a result of changes in the various assumptions set out in this section of the Prospectus. Some of the variables may change in ways that are linked to changes in other variables (for example, higher Default Rates may lead to lower Recovery Rates and higher Default Rates may lead to higher credit margins). The following tables highlight the changes in the projected Interest Rate arising from changes in the stated assumptions assuming all other assumptions listed in Section 3.1.1 of this Prospectus remain constant. A negative interest rate signifies that the ability of Fortress to repay principal at Maturity may be impaired. The Interest Rate shaded in grey is the projected Interest Rate for the twelve month period immediately following the Initial Investment Period ending 31 August 2005.

Table 5: Interest Rates for varying credit margins and Default Rates

		DEFAULT RATE					
		0.00%	**1.00%**	**3.00%**	**5.00%**	**7.00%**	**9.00%**
AVERAGE CREDIT MARGIN	**2.20%**	10.25	9.38	5.77	2.16	-1.45	-5.06
	2.40%	10.25	10.25	6.99	3.38	-0.24	-3.85
	2.60%	10.75	10.25	8.21	4.59	0.98	-2.63
	2.80%	10.75	10.35	9.42	5.81	2.20	-1.42
	3.00%	11.56	10.75	10.25	7.02	3.41	-0.20

Table 6: Interest Rates for varying Recovery Rates and Default Rates

		DEFAULT RATE					
		0.00%	**1.00%**	**3.00%**	**5.00%**	**7.00%**	**9.00%**
RECOVERY RATES	**60%**	10.25	10.00	5.18	0.37	-4.45	-9.27
	70%	10.25	10.25	6.99	3.38	-0.24	-3.85
	80%	10.25	10.25	8.80	6.39	3.98	1.57
	90%	10.25	10.25	10.25	9.40	8.19	6.99

Table 7: Interest Rates for varying Leverage Factors and Default Rates

		DEFAULT RATE					
		0.00%	**1.00%**	**2.60%**	**5.00%**	**7.60%**	**9.00%**
LEVERAGE FACTOR	**4.5**	10.25	9.29	7.13	3.87	0.35	-1.54
	5.0	10.25	9.73	7.32	3.71	-0.20	-2.31
	5.5	10.25	10.16	7.52	3.54	-0.76	-3.08
	6.0	10.25	10.25	7.71	3.38	-1.32	-3.85
	6.5	10.25	10.25	7.91	3.21	-1.88	-4.62

Table 8: Interest Rates for varying Leverage Factors and credit margins

		AVERAGE CREDIT MARGIN					
		3.20%	**3.00%**	**2.80%**	**2.60%**	**2.40%**	**2.20%**
LEVERAGE FACTOR	**4.5**	10.75	10.25	10.25	10.18	9.29	8.38
	5.0	10.75	10.52	10.25	10.25	9.73	8.72
	5.5	10.75	10.75	10.25	10.25	10.16	9.05
	6.0	10.97	10.75	10.35	10.25	10.25	9.38
	6.5	11.43	10.75	10.70	10.25	10.25	9.72

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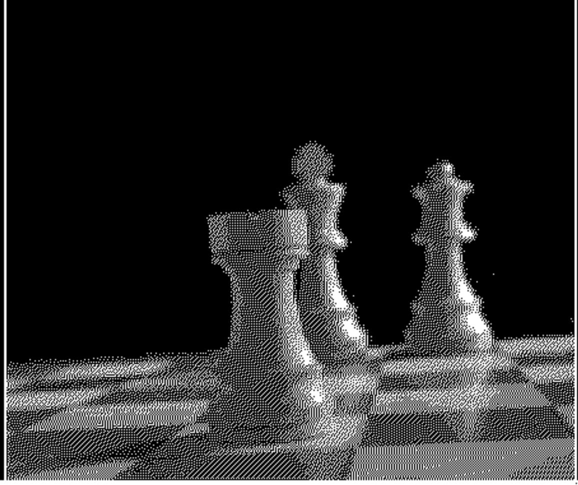


Senior Loans

4

4.1 Senior Loans – Overview

Senior Loans are syndicated loans made to commercial borrowers primarily to finance capital acquisition programmes, mergers and acquisitions, stock repurchases and internal growth. Senior Loans generally hold the most senior position in a borrower's capital structure and are often secured by a first-ranking security interest in the borrower's assets ("Collateral"). Collateral may include assets such as cash, accounts receivable, inventory, property, plant and equipment, common and/or preferred stock of subsidiaries, and intangible assets including trademarks, copyrights, patent rights and franchise value.

4.2 Some Characteristics of Senior Loans

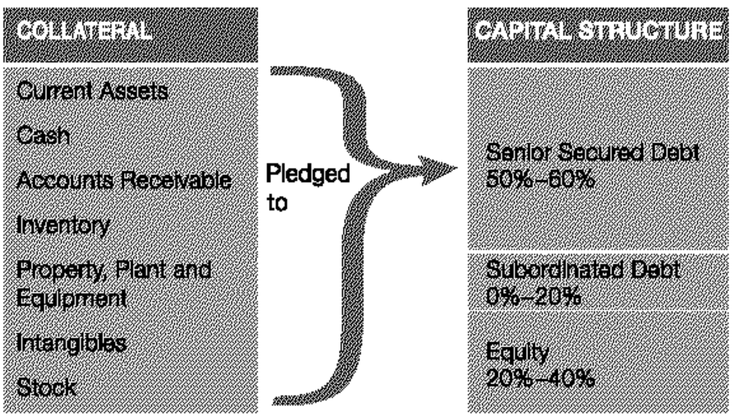
4.2.1 Security

Because Senior Loans are secured, they typically provide lenders with a high ranking right to any cash flows or proceeds from the sale of the Collateral if the borrower becomes insolvent (subject to certain limitations of bankruptcy law, which may provide higher priority to certain claims such as employee salaries, employee pensions and taxes). This means that Senior Loans are usually repaid before unsecured bank loans, unsecured bonds, trade creditors and shareholders. A hypothetical asset coverage position is illustrated diagrammatically in Figure 7.

Collateral

Collateral is property or assets made available by a borrower to a lender as security for a loan. In the event that the borrower does not honour its obligations under the loan agreement, the lender may access the Collateral to recover the amounts owed to it. A common, everyday example of Collateral is a mortgage over a home where the bank has a right to take possession and sell the home in the event that the homeowner fails to pay the mortgage.

Figure 7: Asset coverage of Senior Loans for a typical corporate



In addition to granting to the lenders a senior-ranking security interest in the Collateral, a borrower must generally also comply with various restrictive covenants contained in the loan agreement for the Senior Loan such as restrictions on dividend payments and other distributions to stockholders and requirements to maintain specific minimum financial ratios and limits on total debt. These restrictive covenants are intended to ensure credit quality of the borrower is maintained.

As such, Senior Loans have historically demonstrated significantly higher Recovery Rates when they default, compared to unsecured obligations such as bonds. Comparative recoveries between secured and unsecured obligations are set out in Table 9 below.

Table 9: 17 Year Recovery Rates of Different Credit Classes

	RECOVERIES (1988—Q2 2004)
Senior Loans	77.1%
Senior Unsecured Notes	42.7%
Senior Subordinated Notes (High Yield Bonds)	31.2%
Subordinated Notes (High Yield Bonds)	30.1%
Junior Subordinated Notes (High Yield Bonds)	19.9%

Source: Standard and Poor's LossStats Database

How Do Senior Loan Covenants Work?

The following example illustrates the potential benefits of covenants in Senior Loan agreements.

Four Corners manages certain portfolios, portions of which are invested in stressed and distressed Senior Loans, which are loans to companies that may be experiencing financial difficulty. In one case, Four Corners purchased a "stressed" Senior Loan at a discount with the knowledge that the company was experiencing difficulty and likely to violate certain of its financial covenants. Additionally, the company was supposed to provide its financial reports by a specific date, and was unable to file them on time. Due to the existence of these protective covenants, the senior lenders were able to "block" an interest payment that was due shortly to be made to unsecured bond holders. The existence of the Senior Loan covenants enabled the banks to keep the cash inside the company pending a restructuring of the Senior Loan acceptable to the senior lenders. Due to the additional risk to the senior lenders of the borrower being in violation of its covenants and being in technical default, the senior lenders were, and typically are, paid an additional amount of interest (a further 2% per annum above the agreed rate) during the period that the default continues. The Senior Loan was subsequently repaid in full, which was at a premium to the price at which the loan was acquired. This example demonstrates that the covenants imposed by senior lenders can influence borrowers to reduce the prospects of losses on Senior Loan defaults.

4.2.2 Second lien loans

Whilst most of the Senior Loans in the Portfolio must have a first ranking security interest in the Collateral of the relevant borrower, 10% of the Portfolio may be second lien loans.

Second lien loans are typically floating rate instruments and tend to be secured by the same Collateral as the Senior Loan in the relevant borrower's capital structure. However, in the event of a distribution of Collateral proceeds, the second lien holder generally only receives payment after all of the first lien claims have been satisfied. As a result of the increased risk that the second lien holder is taking, the credit spread that is paid on these instruments during 2004 by a borrower was, on average, approximately 3.25% higher than on the first lien issues from the same issuer.

There has been a dramatic increase in the issuance of second lien loans in recent years. Whilst this may have resulted in some marginally creditworthy second lien loan issues, Four Corners believes that there may be investment opportunities in second lien instruments that offer appropriate risk-reward trade-offs. However, there is no data available as to the recovery rates for second lien loans.

4.2.3 Floating Rate of Interest

Senior Loans are variable rate instruments. They bear interest at rates that float at a margin over a particular benchmark rate. Some examples of commonly used benchmark rates include the London Interbank Offered Rate (LIBOR) the prime or reference rate of a specified US bank or, in some cases, another basic lending rate or the certificate of deposit rate. The credit margin for Senior Loans in the Portfolio will typically be based on LIBOR.

4.2.4 Prepayment

The stated term of Senior Loans is typically five to eight years. Despite their stated term, the loans are generally able to be repaid in whole or in part, without penalty, by the borrower at any time. As a result, they are typically repaid within two years.

In addition, a loan agreement for a Senior Loan may, by its terms, require the borrower to repay the Senior Loan from available cash flow or upon an asset sale or a securities issuance.

4.2.5 Credit Aspects

Senior Loan borrowers are typically rated Ba1 or lower by Moody's and/or BB+ or lower by Standard and Poor's. Such speculative, or non-investment grade investments may involve a greater risk of loss than higher rated, investment grade investments. They may also be subject to greater price volatility and be less liquid compared to more highly rated investments. However, investment grade borrowers frequently do not need to pledge Collateral to secure their loan obligations, while non-investment grade borrowers typically do. Consequently, while non-investment grade borrowers have a higher likelihood of defaulting than investment grade borrowers, lenders have historically achieved higher Recovery Rates from defaulted loans of non-investment grade borrowers than of investment grade borrowers. In the event that the net investment returns from the Portfolio are insufficient to cover any credit losses experienced in the Portfolio, Fortress Noteholders may incur a loss of principal. Using the assumptions outlined in Section 3 of this Prospectus on which the projected Interest Rate is based, defaults would need to be approximately three times higher than the historical average for the period 1992 – 2004 before investors would suffer any loss of principal.

Investment Grade
A bond or note rated BBB- or above by Standard and Poor's or at least Baa3 by Moody's Investors Service. Standard and Poor's and Moody's Investors Service are premier U.S. credit rating agencies.

4.3 The Senior Loan Market

The US Senior Loan market grew dramatically during the 1990s. The Senior Loan market is currently approximately US$1.3 trillion with over US$200 billion of new Senior Loans issued in each of the last five years. The 2004 year was a record year in the United States with US$344 billion of new Senior Loans issued over the 9 months to 30 September. The Institutional Loan market, which represents the majority of the Senior Loans that will comprise the Portfolio, exceeds US$300 billion, and US$160 billion of Institutional Loans were issued in the first nine months of 2004.

There is an active secondary market in the buying and selling of Senior Loans. The minimum portion size in which a Senior Loan may be traded is typically US$1 million which has made it easier for investors to diversify their Senior Loan investments. In the 9 months to 30 September 2004, US$118 billion of Senior Loans traded in the secondary market. Over US$100 billion of Senior Loans have been traded in each of the last five years (2000-2004 inclusive).

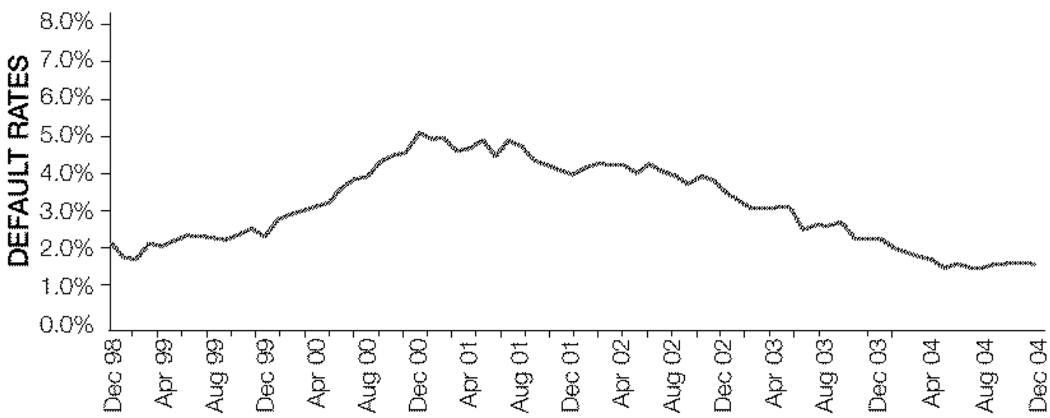
Lending institutions and institutional investors have responded to the high default levels (particularly in the media and telecommunications industries) in 2000 to 2002 by imposing tighter underwriting standards, including reduced leverage multiples, increased interest coverage tests and more stringent borrower covenants. As a general indicator of improving conditions in the credit markets, Senior Loan Default Rates have generally been declining since 2001 (see Figure 8). In 2004 institutional loan defaults were limited to six loans totalling US$1.5 billion, compared to 12 defaults totalling US$3 billion in 2003.

Senior Loans are originated and underwritten by major banks and investment banks as part of their corporate banking activities. Corporate lending is, typically, very capital intensive for banks as they are required to hold capital against loans. Accordingly, banks often seek to reduce their exposure to such capital intensive activities by selling down their loans to other institutional investors. This sell down, or syndication process, is very similar to the way that banks distribute corporate bonds, where they tend to function more as an intermediary than as a provider of capital. In 2004, more than 64% of all new senior secured lending was sold to institutional investors such as Four Corners.

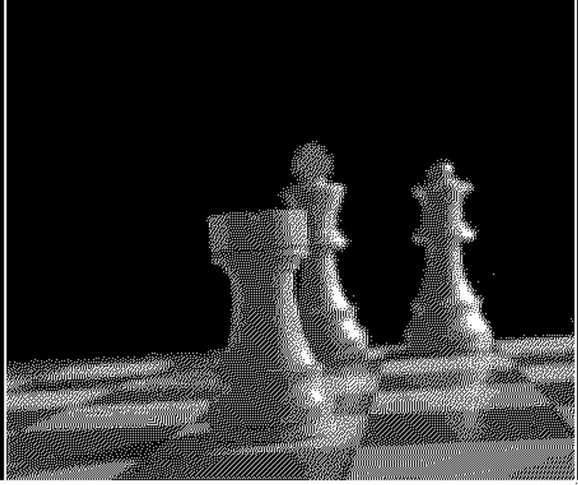
The lead agent has the primary responsibility of administering the Senior Loan. However, if the borrower defaults on a Senior Loan, the loan agreement for the Senior Loan generally provides that the lenders do not have any recourse against the lead agent, except where the lead agent acted with gross negligence or wilful misconduct. Instead, lenders will seek recourse from the borrower.

The Portfolio Trust will usually purchase assignments of loans originated by agent banks who act for syndicates of lenders. However the Portfolio Trust may also invest in (or sell) participations in Senior Loans. It should be noted that Senior Loans may include senior secured debt which is in the form of notes and not Loan Agreements.

Figure 8: Default Rates



Source: Standard & Poor's Leveraged Commentary & Data, Standard & Poor's Leveraged Loan Index



Risks

5

An investment in Fortress Notes involves certain risks that may adversely affect the interest payments and return of capital you will receive from the investment or have other negative consequences. This, in turn, may adversely affect the price at which Fortress Notes trade on the ASX. Investors should consider an investment in Fortress Notes as involving a degree of financial risk and should therefore carefully consider all the following risk factors (together with other matters set forth elsewhere in this Prospectus). These factors are not meant to be an exhaustive listing of all potential risks associated with an investment in Fortress Notes. In addition to fully reviewing the Prospectus, investors should consult their own legal, tax and financial advisers as to all of these risks and an investment in Fortress Notes generally.

5.1 General Risks

Following are some of the general risks associated with investing in Fortress Notes:

- general economic conditions in the US, Australia, and other jurisdictions;
- the occurrence of an unforeseen event or force majeure that has a significant effect on the operation of financial markets (if, for example, a particular event depressed asset prices or restricted liquidity a forced sale may be required);
- interest rates, currency exchange rates and inflation;
- changes in government, monetary policies and other laws;
- changes to the tax laws relating to trusts and their income, which could be adverse to investors; and
- liquidity and the general state of domestic and global capital markets.

5.2 Institutional Risks

These are the risks that an entity will not perform its obligations or will fail and be placed in administration or liquidation. Fortress, as trustee of the Fortress Notes Trust, relies on service providers and counterparties. This includes reliance on the Portfolio Trust to perform its obligations in relation to the Loan Notes. In turn the Portfolio Trust relies on the performance of the Leverage Provider, and Asset Manager for performance of their respective functions in connection with the Portfolio Trust. This may give rise to a number of risks, including:

- **Fortress Notes Issuer Risk** – Fortress is the trustee of the Macquarie Fortress Australia Notes Trust. There is no certainty that it will remain as trustee and could be replaced by a new trustee. The liability of Fortress is a Limited Recourse obligation and there is no assurance that the Security will be sufficient to ensure that Noteholders are repaid the Face Value of their Notes or any other amounts that may be due to them. In addition Macquarie Fortress Investments Limited does not accept any liability in respect of the Fortress Notes beyond its indemnity out of the assets of the Fortress Notes Trust (except where the liability relates to its fraud, gross negligence or breach of trust).
- **Notes Trustee Risk** – If it is necessary or desirable to replace the Notes Trustee there is no certainty that it could be replaced by a new trustee willing to perform the obligations of Notes Trustee on terms that may be acceptable to investors. In addition the liability of the Notes Trustee is limited as described in Section 9.3 of this Prospectus.
- **Loan Notes Issuer Risk** – The trustee of the Portfolio Trust may fail to perform its obligations with respect to the Loan Notes

issued to Fortress. It may become insolvent or be wound up if for example the Portfolio suffered extensive losses. This may result in reduced levels of income and/or loss of principal on the Loan Notes and so, in turn, on the Fortress Notes. In addition, the trustee of the Portfolio Trust does not accept any liability in respect of the obligations in respect of the Portfolio Trust (including the Loan Notes) beyond its indemnity out of the assets of the Portfolio Trust (except where the liability relates to its fraud, gross negligence or wilful misconduct).

- **Management risk** – The Asset Manager appointed by the trustee of the Portfolio Trust may resign or be removed or its key personnel may leave or change or the Asset Manager's business may fail or it may otherwise have to be replaced. There is no certainty that the Asset Manager could be replaced by a new Asset Manager willing to perform the obligations of the Asset Manager on acceptable terms. In addition, the Asset Manager's judgment about any particular investment decision may prove to be incorrect.
- **Leverage Provider Risk** – The Portfolio Trust, in the course of obtaining a Leveraged Exposure to the Portfolio, may be exposed to institutional risk where the Leverage Provider (as the provider of the finance required to achieve the Leveraged Exposure) becomes insolvent or is otherwise unable to perform its functions. The returns received by Fortress Noteholders may therefore be adversely affected. Where the Leveraged Exposure is indirect, the Leverage Provider may hold a deposit from the Portfolio Trust.
- **Custodian Risk** – If the Portfolio comprises assets held by a custodian appointed by the trustee of the Portfolio Trust, the custodian may fail to perform its obligations, for instance to keep the assets secure and not to mix them with its own or fail to properly value the assets. Any of these matters could affect any returns on the Loan Notes and so affect the Fortress Notes.
- **Counterparty Risk** – A counterparty to any foreign exchange hedging or Total Return Swaps transaction entered into by the Portfolio Trust may fail to perform its obligations affecting the returns on the Loan Notes. In the event of default from a Total Returns Swaps counterparty, recoupment of any collateral pledged by the Portfolio Trust may be compromised. This could affect the ability to provide for movement between the Australian dollar investment in Loan Notes by the Fortress and the US dollar Portfolio which affects the interest on the Loan Notes and may affect whether sufficient funds are recovered by Fortress to repay the Face Value of the Fortress Notes.

5.3 Failure to Achieve Listing

Fortress intends, within 7 days after the date of this Prospectus, to apply for admission for quotation of Fortress Notes on the ASX. If the Fortress Notes are not admitted for quotation on the ASX by the earlier of the Allotment Date and three months following the date of this Prospectus, Fortress will be obliged to repay investors' applications in full and Fortress Notes will not be issued pursuant to any Applications made. Application Money will be returned without interest.

5.4 Liquidity/Price Fluctuations on the ASX

Investors who seek to trade Fortress Notes at any time within the Term of the Fortress Notes are exposed to the risks that:

- There will not be a liquid secondary market for Fortress Notes during the Term;
- The trading price of Fortress Notes will fluctuate and may fall below the Issue Price or the price at which Fortress Noteholders purchased Fortress Notes on the secondary market; and
- The trading price of Fortress Notes may fluctuate and may fall below the aggregate value of the assets underlying the Portfolio.

These price fluctuations may be influenced by a number of factors external to the Fortress Notes, including those outlined in this section. These liquidity and price fluctuations will not affect the Face Value or the interest rate for the Fortress Notes.

5.5 Risks Specific To Fortress Notes

In addition to the risks described above, there are various investment risks that could affect the interest and principal returns on the Fortress Notes. The interest and principal returns on the Fortress Notes rely on the ability of the Portfolio Trust to pay interest on the Loan Notes and redeem them in accordance with their terms.

Specifically, the obligations of Fortress to repay the Face Value of the Fortress Notes are limited to the Security and this consists primarily of Loan Notes acquired in relation to the Series of Fortress Notes, the security granted by the Portfolio Trust in respect of the Loan Notes and payments arising from the Loan Notes. The only source from which Fortress will be able to obtain funds to make payments in respect of the Fortress Notes is the Loan Notes. The obligations of the Portfolio Trust in respect of the Loan Notes are limited to the assets of the Portfolio Trust that are referable to the Loan Notes and payments arising from those assets. The only source from which the trustee of the Portfolio Trust will be able to obtain funds to make payments in respect of the Loan Notes is the Portfolio Trust's leveraged Portfolio. Accordingly, the risks specific to the Portfolio Trust's leveraged Portfolio (outlined below) are also material to the Loan Notes and the Fortress Notes.

The main risks specific to the Portfolio Trust, the Loan Notes and the Fortress Notes are:

5.5.1 Credit Risk

Credit risk is the risk that one or more of the assets to which the Portfolio Trust is exposed will decline in price or fail to pay interest or principal when due, because the borrower experiences a decline in its financial status. If a borrower suffers a deterioration in financial status, this may adversely affect the value that is received when a Senior Loan or Permitted Future Investment to that borrower is sold even though no actual default has occurred. Where one or more Senior Loans or Permitted Future Investments comprising the Portfolio experiences a decline in price or fails to pay interest or principal, the Portfolio Trust may incur trading losses on the Portfolio or may receive decreased returns on the defaulting Senior Loans or Permitted Future Investments.

Credit risk may also arise in relation to any foreign exchange hedges entered into or money market investments made by the Portfolio Trust. This may reduce the interest payable in respect of the Loan Notes and impair the ability of the Portfolio Trust to repay the principal at maturity. This may, in turn, reduce the interest payable by Fortress to the Fortress Noteholders and impair the ability of Fortress to repay the principal at Maturity. This may also adversely affect the price at which Fortress Notes trade on the ASX.

5.5.2 Margin Risk

Senior Loans and some Permitted Future Investments are issued at a fixed margin over a benchmark interest rate. The margin is set at the time a Senior Loan or Permitted Future Investment is originated, and is generally not subject to change other than as a result of a change in the relevant borrower's financial condition. As economic and market conditions change, the margins that lenders demand from a specific borrower or industry may change and general market supply and demand conditions may also influence margins. In general, if margins increase, the market value of outstanding Senior Loans and some Permitted Future Investments in the Portfolio should decline and may result in unrealised or realised losses. New Senior Loans included in the Portfolio bearing an increased margin may, however, return higher interest earnings to the Portfolio Trust. Similarly, if margins decrease, the value of outstanding Senior Loans included in the Portfolio should rise although, given borrowers generally have the right to prepay without penalty, it is unlikely that any Senior Loan will trade at a significant premium to its face value if there is no prepayment penalty. New Senior Loans and some Permitted Future Investments acquired bearing a decreased margin may, however, return lower interest earnings to the Portfolio Trust. Unrealised or realised losses and/or lower than expected interest earnings on the Portfolio may reduce the interest payable by the Portfolio Trust in respect of the Loan Notes, which will, in turn, reduce the interest payable to the Fortress Noteholders and could impair the ability of Fortress to repay the principal on the Fortress Notes at Maturity. This may also adversely affect the price at which Fortress Notes trade on the ASX.

5.5.3 Price Risk

Increased demand for Senior Loans and Permitted Future Investments may result in an increase in the price at which they may be acquired in the secondary market. While this may increase the value of Senior Loans and Permitted Future Investments already included in the Portfolio, it may also reduce the returns on the Portfolio by increasing the purchase price of Senior Loans and Permitted Future Investments to be included in the Portfolio (this will affect the Portfolio even if it does not actually include the Senior Loans and Permitted Future Investments but includes indirect exposure to them). Alternatively, a decrease in the demand for Senior Loans and Permitted Future Investments may result in a decrease in the price at which they may be acquired. Whilst this may increase the return on the Portfolio by decreasing the purchase price of Senior Loans and Permitted Future Investments, this may reduce the value of Senior Loans and Permitted Future Investments already in the Portfolio resulting in unrealised or realised losses. Unrealised or realised losses and/or lower than expected returns on the Portfolio may reduce the interest payable by the Portfolio Trust under the Loan Notes, which will, in turn, reduce the interest payable to the Fortress Noteholders and could force the Portfolio Trust to breach a requirement imposed on the Leveraged Exposure and/or impair the ability of Fortress to repay the principal on the Fortress Notes at Maturity. This may also adversely affect the price at which Fortress Notes trade on the ASX. A fall in the loan price may also result in the Leverage Ratio breaching pre-specified limits and the Portfolio exposure may be liquidated at a loss to Noteholders.

5.5.4 Leverage Risk

Leverage will have a significant effect on your investment. Leverage is a powerful tool that may magnify both gains and losses for investors, and will also magnify the volatility of returns.

The Portfolio Trust will have a Leveraged Exposure to the Portfolio. The Leverage Ratio is intended to be between 4.5 and 6.5 times the US dollar Equivalent Amount of the proceeds of all loan notes issued by the Portfolio Trust plus or minus any gains or losses (either realised or unrealised) in the Portfolio. The Leverage Ratio may however vary outside this range from time to time. This leverage will magnify both gains and losses and the volatility of returns achieved by the Portfolio Trust on the Portfolio.

The risks associated with leverage may reduce or eliminate the interest payable by the Portfolio Trust under the Loan Notes, which will, in turn, reduce the interest payable to the Fortress Noteholders and could impair the ability of Fortress to repay the principal on the Fortress Notes at Maturity. This may also adversely affect the price at which Fortress Notes trade on the ASX.

5.5.5 Risks Associated With Leveraged Exposure

The Leverage Provider is expected to have certain rights that could impact the returns of the Loan Notes and as a result Fortress Noteholders.

In the event that the Leverage Ratio exceeds 6.5, any interest income on the Portfolio may not be distributed and may be retained by the Portfolio Trust or may be applied to reduce the balance of the Leveraged Exposure (or both) until such time as the Leverage Ratio falls below 6.5 times. This Leverage Ratio threshold may be breached without a default occurring and due to market forces reducing the price at which the Senior Loans and Permitted Future Investments in the Portfolio trade or a change in foreign exchange rates affecting the foreign exchange hedges or the US dollar value of any security deposit. If the retention of income of the Portfolio Trust is required, then the interest payable by the Portfolio Trust to Fortress in respect of the Loan Notes may reduce or cease, and, in turn, the interest payable to the Fortress Noteholders may also reduce or cease. The net asset value of the Portfolio Trust, and thus the ability of the Portfolio Trust to make interest payments in respect of the Loan Notes in the future will, however, reflect the retention of the income.

If the Leverage Ratio is above a specified number (falling within the range of 7 to 10), the Leverage Provider may declare the Leveraged Exposure immediately repayable and enforce its first ranking charge over the assets of the Portfolio Trust which may result in the liquidation of the Portfolio. This stated range may change if the Portfolio comprises Permitted Future Investments.

There are also certain other events of default that are usually included in facilities of this type that will provide the Leverage Provider with the right to terminate its agreement to provide the Leveraged Exposure. These events include but are not limited to a continued breach of Portfolio guidelines (described in Section 2.9 of this Prospectus), a receiver being appointed to the Portfolio Trust, failure to make required payments when due and a change in the Asset Manager. It is not expected that the Leverage Provider will be required to take into account the interests of the holders of the Loan Notes or Fortress Notes when deciding whether or how to exercise these rights. This Leverage Ratio threshold may be breached without a default occurring where market forces reduce the price at which the Senior Loans and Permitted Future Investments in the Portfolio trade or, where a change in foreign exchange rates affects the foreign exchange hedges or the US dollar value of any security deposit. The Leverage Provider may, therefore, require the realisation of the Portfolio at a time of depressed asset prices. This may give rise to a loss at a time that the trustee of the Portfolio Trust may not have otherwise reduced or eliminated its exposure to the Portfolio. This may impair the ability of the Portfolio Trust to satisfy its obligations under the Loan Notes and could result in losses being sustained by Fortress, which in turn would affect returns of principal and/or interest to investors on the Fortress Notes. This may also adversely affect the price at which Fortress Notes trade on the ASX.

The terms and conditions of the Leveraged Exposure are expected to be renegotiated periodically. The cost of the renegotiated

Leveraged Exposure may be higher than the current cost or a Leveraged Exposure arrangement with acceptable terms and conditions may not be available. Where this occurs and the trustee of the Portfolio Trust believes that the Portfolio Trust is still viable, it will advise Fortress of the new terms and conditions of the Leveraged Exposure and their potential impact on returns on the Loan Notes.

The Leveraged Exposure is also likely to provide the Leverage Provider with the right to terminate the Leveraged Exposure in the event there are increased costs, if it becomes illegal to continue to provide the arrangement or if other events occur which are beyond the control of the Leverage Provider. These are standard protections for lenders/counterparties however they mean that if, for example, there is a change in the amount of capital that the Leverage Provider is required to hold against the Leveraged Exposure by reason of a change in the capital adequacy rules issued by the governing prudential authority (in the case of Australia, the Australian Prudential Regulation Authority) or if market events mean that the Leverage Provider is unable to access funding the Leverage Provider may terminate the Leveraged Exposure arrangement or require that it be re-priced to reflect the increased cost. If such an increased cost event occurs and the trustee of the Portfolio Trust believes that the Portfolio Trust is still viable, it will advise Fortress of the new charges and their potential impact on returns on the Loan Notes.

5.5.6 Permitted Future Investments

The investment guidelines for the Portfolio Trust give the Asset Manager discretion to invest up to 20% of the Portfolio in Permitted Future Investments which may have different risks and different expected returns to those of Senior Loans. Four Corners only intends to include these instruments in the Portfolio where they appear to represent an investment opportunity with an appropriate risk-reward trade-off. Fortress Noteholders should be aware of the potential for a negative impact on their return where these investments do not perform as expected.

The risks outlined above under "Risks Specific to the Fortress Notes" are also generally applicable to Permitted Future Investments. Specifically, Permitted Future Investments will generally be subject to credit risk, margin risk, price risk, secondary market/liquidity risk, lower grade investments risk and currency risk. Including Permitted Future Investments in the Portfolio will subject the Portfolio Trust to risks associated with leverage, the Leveraged Exposure and interest rate basis differences. Importantly, these risks may be more acute for Permitted Future Investments.

Where these investments do not perform as expected resulting in realised or unrealised trading losses and/or decreased principal and/or interest returns, the interest payable by the Portfolio Trust to Fortress under the Loan Notes may be reduced, and, in turn, the interest payable to the Fortress Noteholders may also be reduced and the ability of Fortress to repay the principal upon Maturity may be impaired. This may also adversely affect the price at which Fortress Notes trade on the ASX.

In addition certain risks may apply to Permitted Future Investments. Certain Permitted Future Investments have historically exhibited higher average default rates and lower recovery rates than Senior Loans. The Permitted Future Investments category are driven primarily by credit related factors. Accordingly, Permitted Future Investments may have characteristics which are different to or more severe than Senior Loans and may attract more risk. Such characteristics may include:

- fixed interest rates;
- limited liquidity;
- shorter term maturities;
- non-US dollar denomination;
- lower collateral position payment priority;
- unsecured exposures;
- higher price volatility;
- potential counterparty risk;
- lack of covenant protections;
- lower credit rating; and
- financial distress.

The above list is not exhaustive.

5.5.7 Limited Secondary Market For Senior Loans And Liquidity Risk

Although the secondary market for Senior Loans has grown dramatically, it is limited relative to the secondary markets for more liquid securities. There is no organised exchange or board of trade on which Senior Loans or some Permitted Future Investments are traded. Instead, the secondary market for Senior Loans and potentially some Permitted Future Investments is an unregulated inter-dealer or inter-bank resale market.

Senior Loans usually trade in large denominations (typically US$1 million and higher), trades can be infrequent and information about actual trades may be difficult to obtain. While the minimum denominations of Permitted Future Investments may differ, trades in them can also be infrequent and information about actual trades may also be difficult to obtain. Accordingly, some Senior Loans and some Permitted Future Investments to which the Portfolio Trust has exposure may be relatively illiquid and this may affect the realisation of investments (for example, some Senior Loans or Permitted Future Investments may be sold for less than they are acquired for, or may not be able to be sold for some time). Realised trading losses may reduce the interest payable by the Portfolio Trust under the Loan Notes, which will, in turn, reduce the interest payable to the Fortress Noteholders and could impair the ability of Fortress to repay the principal on the Fortress Notes at Maturity. This may also adversely affect the price at which Fortress Notes trade on the ASX. The inability to sell Senior Loans and certain Permitted Future Investments for some time may affect the liquidity of the Portfolio Trust, and its ability to restore the intended leverage, thereby affecting the Asset Manager's ability to actively manage the positions.

5.5.8 Interest Rate Basis Risk

The interest rates charged on the Senior Loans and some Permitted Future Investments in the Portfolio will typically be based on the LIBOR rates prevailing at the dates the interest rates are reset. In a diversified portfolio of loans such as that the Portfolio Trust is intended to have exposure to, the frequency at which interest rates will be reset is expected to include monthly, quarterly and semi annual resets. The rates will generally be reset on the relevant anniversary of the portion of the loan drawn down.

The interest rates charged by the Leverage Provider on the Leveraged Exposure may be reset on dates that do not necessarily coincide with the dates of every Senior Loan or some Permitted Future Investment in the Portfolio. As such, there is risk that interest rate movements between the time the interest rates are reset on the Leveraged Exposure and the dates interest rates are reset on the individual Senior Loans and certain Permitted Future Investments in the Portfolio will act to decrease the net income generated on the Portfolio. Equally, there is the possibility that these differences will act to increase the net income generated on the Portfolio. Differences that act to decrease the net income generated on the Portfolio may reduce the interest payable by the Portfolio Trust under the Loan Notes, which will, in turn, reduce the interest payable to the Fortress Noteholders and could impair the ability of Fortress to repay the principal on the Fortress Notes at Maturity. This may also adversely affect the price at which Fortress Notes trade on the ASX.

To mitigate this risk, the Portfolio Trust may divide the Leveraged Exposure into a number of smaller financings that are designed to more closely match the interest rate reset profile of the Portfolio. For example, there may be a financing that has monthly interest rate resets, another financing with quarterly interest rate resets and another with semi annual resets with the relative size of these different facilities being matched as near as possible to the profile of the Portfolio.

5.5.9 Lower Grade Debt Instruments

Lower grade debt instruments involve additional risks for investors such as the Portfolio Trust over that encountered by investing in investment grade debt instruments. The borrowers under the Senior Loans and certain Permitted Future Investments in the Portfolio will generally have lower credit ratings than borrowers that are able to borrow on an unsecured basis. They will generally be rated Ba1 or lower by Moody's, BB+ or lower by Standard and Poor's or will be un-rated but determined to be of comparable credit quality. Some borrowers have not issued equity or debt to the public and are therefore not subject to reporting requirements under federal securities laws of the US. Borrowers under lower grade debt instruments are not perceived to be as strong financially as those with higher credit ratings, so the securities are usually considered speculative investments. These borrowers are generally more vulnerable to financial setbacks and recessions than more creditworthy borrowers and this may impair their ability to make interest and principal payments. It is for this reason that Collateral is sought in respect of these Senior Loans. Senior Loans and certain Permitted Future Investments tend to offer higher yields than investment-grade securities and loans to compensate investors for the higher risk of default and are commonly referred to as "speculative grade" or in the case of bonds, "junk bonds". The Portfolio Trust may also invest in obligations of borrowers in connection with a restructuring under Chapter 11 of the US Bankruptcy Code if the obligations meet Four Corner's credit standards.

Lower grade debt instruments, such as the Senior Loans and certain Permitted Future Investments in the Portfolio, tend to be less liquid than higher grade debt instruments. They carry particular market risks and may experience greater volatility in market value than investment grade debt instruments. The market's perception of the issuers and the creditworthiness of the issuers may significantly affect the value of these debt instruments.

Realised or unrealised trading losses and/or decreased principal and/or interest returns from defaulting Senior Loans and certain Permitted Future Investments may reduce the interest payable by the Portfolio Trust under the Loan Notes, which will, in turn, reduce the interest payable to the Fortress Noteholders and could impair the ability of Fortress to repay the principal on the Fortress Notes at Maturity. This may also adversely affect the price at which Fortress Notes trade on the ASX.

5.5.10 Interest Rate Risk

The Loan Note Proceeds will be invested to earn interest based on the prevailing BBSW. This interest will be earned by the Portfolio Trust either directly on an Australian dollar money market investment, or, where the Loan Note Proceeds are converted to US dollars, on the relevant proportion of the Portfolio plus the foreign exchange hedging arrangements.

The BBSW will vary over the term of the investment. At the date of this Prospectus, the BBSW is approximately 5.75% per annum. Movements in the BBSW will increase or decrease the interest payable by the Portfolio Trust to Fortress in respect of the Loan Notes, and, in turn, the interest payable by Fortress to the Fortress Noteholders.

5.5.11 Currency Risk

The Portfolio Trust's Leveraged Exposure to the Portfolio will be denominated in US dollars. Accordingly, the Portfolio Trust's US dollar assets and US dollar liabilities will initially be matched and the net assets will be represented by the Loan Note Proceeds. The Loan Note Proceeds will either be converted into US dollars and invested in LIBOR generating investments, or will remain in Australian dollars and be lodged with the Leverage Provider where it will earn Australian dollar interest. Where the Loan Note Proceeds are converted to US dollars, the Portfolio Trust will enter into currency hedging arrangements on a rolling basis so that the Note Proceeds are not exposed to movements in the AUD:USD exchange rate.

In the event that there are losses in the Portfolio sufficient to impair the ability of the Portfolio Trust to repay the Loan Notes, the foreign exchange hedging arrangements may give rise to an additional loss. This loss arises as the Portfolio Trust will have hedge protection in excess of its requirements but yet may still be obliged to make payments in respect of this amount.

While investors' capital will not initially be subject to currency movements, a portion of any income from the Portfolio will be subject to variations in exchange rates in the short term. The Portfolio Trust's net income from the Portfolio will be denominated in US dollars. On each Quarterly payment date the US dollar income will be converted to Australian dollars at the prevailing spot exchange rate and shortly thereafter paid to Fortress under the Loan Notes. For this reason a portion of the interest payments received by Fortress from the Portfolio Trust under the Loan Notes will be subject to movements in the AUD:USD spot exchange rate. In turn, this will also affect the level of Australian dollar interest payments to the Fortress Noteholders. The likely impact of a change in the AUD:USD spot exchange rate on short term earnings is illustrated below.

What is the impact of a change in the AUD:USD spot exchange rate on my short term earnings?

If you make the following assumptions for a given Quarter:

1. the AUD denominated BBSW earnings from the Note Proceeds was 1.35% for that Quarter;
2. the USD earnings on the Portfolio was 1.15% for that Quarter; and
3. the AUD:USD exchange rate was 0.75 and constant for the Quarter,

your return would be 2.5% for the Quarter.

If the AUD:USD exchange rate rose to 0.80 on the day prior to conversion of the USD earnings for distribution (the day where a change in the exchange rate will have most impact), your return would now be 2.43% for the Quarter.

In this instance the structure of the investment (a significant component of the earnings is in Australian dollars via the security deposit or foreign exchange hedge) protected the return so that a substantial increase in the exchange rate only equated to a 0.07% reduction in the return for the Quarter.

The size of the Portfolio will be periodically adjusted so that the Australian dollar value of interest payments will not be subject to long term movements in exchange rates. As the Loan Note Proceeds are hedged to an Australian dollar amount, any significant movements in exchange rates may result in the Leverage Ratio (which is calculated using the US dollar equivalent of the proceeds of the loan notes issued by the Portfolio Trust) moving outside the 4.5 to 6.5 times band. If the Leverage Ratio falls below 4.5 as a result of exchange rate movements, the Portfolio Trust may be able to increase the size of the Portfolio by increasing the value of the Leveraged Exposure. Alternatively, if movements in exchange rates cause the Leverage Ratio to exceed a specified number of times, the Portfolio Trust may reduce the size of the Portfolio and either use the proceeds to reduce the value of the Leveraged Exposure, or require that the net income of the Portfolio Trust be retained (or both).

The net result of this is that while the Australian dollar value of the US dollar net income from the Portfolio Trust will be exposed to short term movements in exchange rates, the size of the Portfolio is adjusted as described above so that Australian dollar interest payments will not be subject to long term movements in exchange rates. This adjustment in the size of the Portfolio will also mean that the interest payments received by Fortress from the Portfolio Trust in respect of the Loan Notes and, in turn, the interest received by the Fortress Noteholders will not be subject to long term movements in exchange rates.

5.5.12 Movements In Portfolio Parameters

Due to factors such as unexpected prepayments of Senior Loans included in the Portfolio and other market movements, the Portfolio may not at all times fall within the diversification guidelines described in Section 2.9 of this Prospectus. If the Portfolio does not comply with the specified parameters, there may be less diversification in the Portfolio than desired, increasing the volatility of returns and the risk that the returns achieved will be less than those targeted. Where the returns from the leveraged Portfolio are less than those targeted, interest payable by the Portfolio Trust to Fortress under the Loan Notes may be reduced, and, in turn, the interest payable to the Fortress Noteholders may be reduced and the ability of Fortress to repay principal at Maturity may be impaired.

This may also adversely affect the price at which Fortress Notes trade on the ASX.

5.5.13 Conflicts

The arrangement which the Asset Manager has with the Portfolio Trust is not exclusive. Moreover the Asset Manager may be appointed to provide services to others that have an interest in loan notes issued by the Portfolio Trust. The Asset Manager may provide similar services for other clients and the Investment Management Agreement (as described in Section 9.6 of this Prospectus) contains provisions dealing with how the Asset Manager will deal with potential conflicts involving the Portfolio Trust and the Asset Manager's other clients. This includes the allocation of opportunities amongst the Asset Manager's clients, which may result in recommendations and allocations differing between clients.

Since the Asset Manager has discretion, within limits, as to the amount of leverage to employ, there is a potential conflict between the Portfolio Trust's interest in employing leverage in amounts that optimise investment performance and the Asset Manager's interest in managing the largest portfolio possible to maximise fees. However, the rebate and performance features of the fee arrangements intend to align the interests of the Portfolio Trust and the Asset Manager.

The Asset Manager's right to receive a performance fee in certain circumstances may create an incentive for the Asset Manager to make riskier or more speculative investments than would be the case absent such fee.

Investors should note the Leverage Provider may be a related body corporate to Fortress as the Issuer of the Fortress Notes. In these circumstances the Leverage Provider will be entitled to act in its own interests in relation to the loan. Investors should also note that directors of Fortress may also be executives of the related body corporate.

In addition, Macquarie Fortress Investments Limited (the Issuer of the Fortress Notes) is the issuer of another trust that may invest in loan notes and may take similar or other roles for other investors in loan notes.

5.5.14 Non-US issuers

Although it has no current intention, the Portfolio Trust may invest up to 20% of the Portfolio Capacity in Permitted Future Investments (see Section 2.10 of this Prospectus). Permitted Future Investments may include debt issued in denominations other than US dollars by business organisations outside the United States. While Permitted Future Investments may be US dollar denominated to avoid additional exchange rate risk, non-US dollar investing may result in higher transaction and operating costs for the Portfolio Trust. Non-US issuers are not subject to the same accounting and disclosure requirements that US issuers are subject to. The value of non-US dollar investments may be affected by foreign exchange currency movements and control regulations, expropriation or nationalisation of a company's assets, taxes, delays in settlement of transactions, changes in governmental, economic or monetary policies in the US or in the non-US issuer's country of residence, or other political and economic factors.

5.5.15 Consequences of Insolvency

Each series of Loan Notes are Limited Recourse obligations of Portfolio Trust and the Fortress Notes are Limited Recourse obligations of Fortress. This means that the Fortress Noteholders only have recourse to the relevant assets of the Portfolio Trust or the Loan Notes acquired by Fortress with the proceeds from the issue of Fortress Notes, as the case may be, for recovery of amounts due to them.

No Fortress Noteholder will be liable to pay any further amounts to any person as a result of the insolvency of Fortress.

Although a charge in favour of the Notes Trustee for the benefit of Fortress Noteholders is granted by Fortress over the Loan Notes acquired with the net proceeds from the issue of Fortress Notes, the charge is a floating charge that crystallises on the occurrence of certain defaults (see Section 9 of this Prospectus). Until that occurs, Fortress can deal with the Fortress Notes (that is, redeem them and acquire other Loan Notes) in the ordinary course of its business and in accordance with the other documents described in Sections 9.2 and 9.3 of this Prospectus.

5.5.16 Refinancing

The terms and conditions of the Leveraged Exposure are expected to be renegotiated periodically. There is a risk that the cost of refinancing is higher than the current financing cost or that the financing may not be available. This may result in early redemption of Fortress Notes (see below).

5.5.17 Early Redemption

Fortress Notes may be redeemed prior to the end of the Term if, among other things, an Early Maturity event occurs (see Section 9.2 of this Prospectus). In particular an event of default occurs if an event of default occurs in respect of the Loan Notes. In broad terms, an event of default occurs if the Portfolio Trust:

- fails to pay any amount of principal or interest to Fortress within twenty one Business Days of the due date under the terms of the Loan Notes;
- becomes insolvent as defined under the terms of the Loan Notes;
- upon the expiration of the initial term of at least one year, cannot renegotiate the Leveraged Exposure on acceptable terms (which may differ from the terms set out in this Prospectus); and
- fails to observe or perform its obligations under the Loan Notes or under the Portfolio Trust Deed.

In those circumstances the security for the Loan Notes will become due and repayable on the early redemption date at the early redemption amount as detailed in the Loan Notes documents.

Upon receipt of any amounts from the trustee of the Loan Notes, Fortress will redeem the Fortress Notes early, and pay to Fortress Noteholders the amounts which it has received from the trustee of the Loan Notes on a pro rata basis. In such a case Fortress, as the Fortress Notes are Limited Recourse, will have no further obligations to Fortress Noteholders.

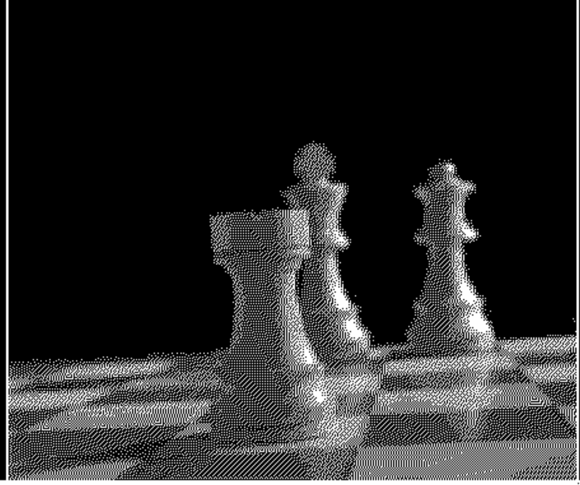
5.5.18 Taxation

Investors should refer to the general description of taxation matters associated with the Fortress Notes and risks associated with the ways in which the Fortress Notes are structured. This information is set out in Section 7 of this Prospectus. Future changes in tax laws or in their interpretation could affect the tax treatment of the Fortress Notes and investors should be alert to tax changes. Discussions of taxation issues in the Prospectus are of a general nature and are not advice in relation to your individual taxation situation. You should seek your own professional tax and investment advice to determine the tax treatment applicable to you and the suitability of the Fortress Notes to meet your investment needs.

5.5.19 Note Issues in Other Currencies

The Portfolio Trust may also issue notes denominated in other currencies. These notes will be issued as separate Series and secured by a separate series of assets. Those assets may include Loan Notes issued by the Portfolio Trust to Fortress denominated in another currency. The Portfolio Trust will invest in the Portfolio using the proceeds of such issues. The returns on those Loan Notes will be calculated so that any cross currency exposure is mitigated.

Movements in the relative values (against the US dollar) of currencies in which other notes are denominated may cause the Leverage Ratio to change (due to delays in corresponding changes in the size of the Portfolio) and this could have a positive or negative effect on the returns to Fortress Noteholders.



The Credentials

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6.1 The Issuer of the Fortress Notes

Macquarie Fortress Investments Limited, as trustee of the Macquarie Fortress Australia Notes Trust, is the Issuer of Fortress Notes. All shares in Fortress are held by Macquarie Bank Limited. See Section 9.1 of this Prospectus for a description of the trust deed for the Macquarie Fortress Australia Notes Trust.

The address of the Issuer in Australia is:

Macquarie Fortress Investments Limited
Level 12, 1 Martin Place
Sydney, NSW 2000, Australia

Macquarie Fortress Investments Limited is a special purpose vehicle established specifically for the role of providing trustee services to the Macquarie Fortress Australia Notes Trust. As it was recently established, it has only nominal assets and no performance history.

The directors of Fortress are:

Peter Lucas BCom ACA
Sydney, Australia

Charles Wheeler BEcon ACA
Sydney, Australia

Michael Price BEc LLB (Hons)
Sydney, Australia

The directors of Fortress can be contacted at the address of the Issuer given above.

6.2 The Notes Trustee

The Notes Trustee is:

Permanent Trustee Company Limited
35 Clarence Street
GPO Box 4270
Sydney
NSW 2000

Permanent is a member of the Trust Group of Companies of which Trust Company of Australia Limited is the parent company. Trust Company of Australia Limited is listed on the ASX and provides specialist financial services to intermediaries, institutions, and individuals relating to the safeguarding of assets. Trust Group through its corporate services division has $100 billion of assets under administration.

The Trustee has not been involved in the preparation of any part of the Prospectus. It does not take any responsibility for any part of the Prospectus. The Trustee expresses no opinion, explicit or implicit, to any person, regarding the desirability of investing in the securities offered by this Prospectus.

See Sections 9.2 and 9.3 of this Prospectus for a description of the Series Trust deed and Master Trust deed for the Fortress Notes under which the Notes Trustee is appointed.

6.3 The Trustee of the Portfolio Trust

Walkers SPV Limited, a licensed trust company incorporated in the Cayman Islands, is the trustee of the Portfolio Trust. See Section 9.5 of this Prospectus for a description of the trust deed for the Portfolio Trust.

6.4 Asset Manager

The Asset Manager is currently Four Corners Capital Management, LLC. Four Corners' address is:

515 South Flower Street,
Suite 4310,
Los Angeles 90071 USA

The trustee of the Portfolio Trust has engaged Four Corners as its Asset Manager to provide advice and services in the US with respect to the Portfolio Trust's Portfolio. In particular, Four Corners will:

- select the assets for inclusion in the Portfolio;
- review and apply credit analysis to the Portfolio;
- actively monitor the Portfolio;
- manage the Portfolio Trust's rights as they relate to its investment in the Portfolio on an ongoing basis; and
- provide to the trustee daily and quarterly reports on the performance of the Portfolio.

See Section 9.6 of this Prospectus for further information about the Investment Management Agreement.

You should note that the trustee of the Portfolio Trust may change the Asset Manager in the circumstances outlined in the Investment Management Agreement. In addition, you should consider the rights which Four Corners has under the Investment Management Agreement to terminate its appointment on 60 days notice or earlier in some cases.

Based in Los Angeles, Four Corners was founded in September 2001. It is 66.67% owned by the MBL Group and the remaining 33.33% is owned by Four Corners Investment Advisors, LLC which is in turn owned by the management personnel of Four Corners.

Four Corners advised and managed committed funds with a capacity of approximately US$2.7 billion as at 28 February 2005. Four Corners has managed assets since February 2002. Prior to this date, the key management personnel of Four Corners had been extensively involved in the industry (see below). They have longstanding relationships with participants in the Senior Loan market.

Four Corners' three-year investment track record includes managing assets during a portion of one of the worst periods of credit markets in decades (2000-2002) with record corporate default levels and numerous corporate governance scandals. During this period, Four Corners has:

- generated positive returns every month on Senior Loan portfolios prior to leverage costs. On a leveraged basis negative returns were experienced for two months. However, the two months of negative returns were due to market value fluctuations as opposed to realised cash losses;
- had no defaults or distressed sales (that is, where sales are less than 90% of the purchase price) in portfolios managed with similar investment and diversification guidelines to those of the Portfolio Trust; and
- outperformed Senior Loan indices, with much lower volatility of returns.

You should note, however, that past performance may not be indicative of future performance and losses or gains may be sustained in any investment.

The Asset Manager's key investment personnel and their brief biographies appear below and on following pages.

Michael P. McAdams

BA (Fin/Accg), MBA (Finance/Accounting)

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Years relevant experience 21

Mr. McAdams is responsible for overseeing Four Corners' investment and distribution activities.

Prior to joining Four Corners, Mr. McAdams established the first retail senior floating rate loan fund in 1988, which was ranked by Lipper Analytical as the top performing senior floating rate loan fund for all measurement periods as of September 1995. In 1995, Mr. McAdams founded ING Capital Advisors, LLC, (ICA) the first asset management firm to focus exclusively on managing senior floating rate products for institutional investors. Mr. McAdams is former Chairman and Vice Chairman of the Loan Syndication and Trading Association.

Robert I. Bernstein

BBA (Fin)/MBA (Fin)

MANAGING DIRECTOR AND CHIEF INVESTMENT OFFICER

Years relevant experience 14

Mr. Bernstein is responsible for managing Four Corners' investment process.

Prior to joining Four Corners, Mr. Bernstein was a partner of The Yucaipa Companies, a Los Angeles-based private equity firm, where he completed M&A transactions and leveraged financings valued in excess of US$4 billion. Previously, Mr. Bernstein was a Vice President in Bankers Trust's leveraged finance group, where he arranged senior loan and high yield bond financings for financial sponsors and corporate issuers. He also worked in GE Capital's restructuring group, where he focused primarily on asset-based loans to distressed borrowers. He also served as an infantry officer in the US Marine Corps.

Andrew S. Cooney

BS (Bus Admin), MBA

MANAGING DIRECTOR, STRUCTURING AND ANALYTICS, AND CHIEF FINANCIAL OFFICER

Years relevant experience 19

Mr. Cooney is responsible for structuring Four Corners' investment products and is its Chief Financial Officer.

Mr. Cooney joined Four Corners from First Union Securities, Inc (the predecessor to Wachovia Corp) where he founded and ran the 14 member Emerging Assets Securitization Group responsible for the securitisation of various assets classes including Collateralised Debt Obligations (CDOs). This group grew to become number three in the CDO league tables as of 30 June 2001 and acted as lead or co-lead manager on over US$12 billion of transactions. Prior to First Union, Mr. Cooney was a Managing Director in the structured finance group at Bank of America and a chief financial officer of an automobile finance company during the 1995-1996 period.

Beth C. Digati

BA (Eng Hist)

SENIOR VICE PRESIDENT, Trader

Years relevant experience 31

Ms. Digati's responsibilities include sourcing and trading Senior Loans in the secondary markets.

Prior to joining Four Corners, Ms. Digati managed the Loan Trading Desk at ICA. Prior to joining ICA in 1995, Ms. Digati worked for ten years on the trading desk at Pilgrim Group, Inc. where she traded for all Pilgrim's mutual funds, including high yield bonds, common and preferred equities, government securities and commercial paper. Upon the establishment of Pilgrim Prime Rate Trust in 1988, Ms. Digati assumed responsibility for loan trading for that Trust.

Ian G. Cudlipp

Master of Accounting (M.Acc), CA, CFA

SENIOR VICE PRESIDENT, STRUCTURING AND ANALYTICS

Years relevant experience 14

Mr Cudlipp's responsibilities include analysing and monitoring Four Corners' portfolios, modelling and analysing new structured products, making trade allocations, and interacting with portfolio trustees.

Prior to joining Four Corners, Mr. Cudlipp worked for Clarica Life Insurance Company (formerly Mutual Life Assurance Company of Canada) as Manager/Director of the firm's Structured Finance Group. In this role, Mr. Cudlipp managed a portfolio which grew to US$500 million comprised of private placements, asset-backed securities, equities, senior secured corporate loans, mortgage bonds and tax-advantaged transactions.
In this role, he invested in, monitored and reported internally on 19 different holdings of Collateralised Debt Obligations totalling US$163 million.

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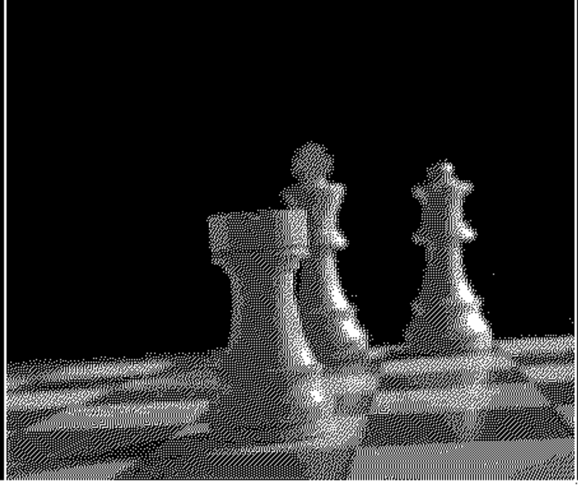

Taxation Considerations

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The following is a summary of the Australian income tax, stamp duty and goods and services tax (GST) implications for Australian resident Noteholders who are individuals, companies or trustees of complying superannuation entities and who hold their Fortress Notes on capital account rather than on revenue account or as trading stock. It is based on Australian tax laws and practice operative as at the date of this Prospectus. Noteholders should be aware that it is possible that the relevant taxation rules could change during the time that Fortress Notes are in issue.

The summary is general in nature and does not take into account the specific circumstances of any particular Noteholder. Noteholders should obtain their own independent advice as to the taxation consequences of investing in Fortress Notes Trust, which takes into account their own particular circumstances.

7.1 Australian Taxation Considerations

7.1.1 Interest payments to Noteholders

Interest payable by Fortress to you on the Fortress Notes will be included in your assessable income.

If you acquire Fortress Notes as part of a business and that business usually recognises interest income on an accruals basis, you should also recognise interest income from the Fortress Notes on an accruals basis. Otherwise, you should recognise interest income as and when interest is paid to you by Fortress.

7.1.2 Sale or redemption of Fortress Notes

If you dispose of your Fortress Notes on the ASX or your Fortress Notes are redeemed, any gain arising on the disposal or redemption should be included in your assessable income at the time of the disposal. The amount of the gain is equal to the difference between the amount you receive in respect of the disposal or redemption and the cost of your Fortress Notes. The cost of your Fortress Notes will be the amount you paid to subscribe for the Fortress Notes under this Prospectus (including the amount of any Application Fee) or the amount you paid to acquire the Fortress Notes on the ASX.

Since you already include an amount in your assessable income for the disposal or redemption of Fortress Notes, any capital gain you make should be reduced to zero.

If you subscribe for Fortress Notes under this Prospectus, and redeem your Fortress Notes on maturity, you should not derive any gain because you will simply be repaid the subscription amount but should be entitled to a deduction for any loss incurred in relation to the subscription or redemption. You should, however, include any final interest payment in your assessable income.

If, in a particular income year, you dispose of or redeem Fortress Notes for less than the amount you paid for them, you should be entitled to claim a deduction in that income year for an amount equal to the difference between the amount you paid to subscribe for or purchase the Fortress Notes and the amount you received for the disposal or redemption.

You will not be able to "double count" a capital loss incurred on the redemption or disposal of Fortress Notes to the extent that you already claimed a deduction for the loss on disposal or redemption.

7.1.3 TFN and ABN Withholding

If you do not quote your Tax File Number (TFN) or proof of an appropriate exemption, Fortress is required to withhold from payments to you in accordance with Australian tax law. If you acquire your Fortress Notes in the course of furtherance of an enterprise you may quote your Australian Business Number (ABN) instead of your TFN.

7.2 GST

The term "GST" and other terms used in this Section have the meanings given to those terms in A New Tax System (Goods and Services Tax) Act 1999.

7.2.1 Noteholders

No GST will be payable on the issue or redemption of your Fortress Notes or upon payment of interest on your Fortress Notes. The 2.2% application fee is inclusive of GST and the Fortress Notes Trust will pay GST on the application fee.

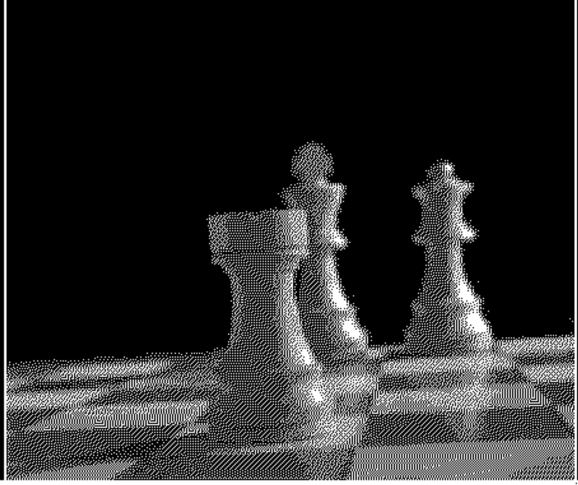
7.2.2 Trustee Fees and Expenses of the Fortress Notes Trust

GST will apply to the fees charged to the Fortress Notes Trust (including trustee fees). GST will also apply to some other expenses of the Fortress Notes Trust. The Fortress Notes Trust should be entitled to receive either full or reduced input tax credit in respect of certain fees and expenses.

It is expected that the Fortress Notes Trust's subscription for Loan Notes issued by the Portfolio Trust will be treated as a GST-free supply by the Fortress Notes Trust. Where the Fortress Notes Trust makes acquisitions (such as of the services of the trustee), those acquisitions may relate partly to the GST-free activities involved in subscribing for the Loan Notes and partly to input taxed activities such as the issue and redemption of Fortress Notes. In this case any entitlement to input tax credits on those acquisitions may need to be apportioned. The Fortress Notes Trust may not be entitled to full input tax credits for GST incurred on acquisitions it makes to the extent to which the acquisitions relate to making input taxed supplies, but it may be entitled to receive reduced input tax credits (currently equal to 75% of that GST). The Fortress Notes Trust may be entitled to full input tax credits for GST on acquisitions to the extent to which they relate to making GST-free supplies. The Trustee will be entitled to pay any net GST costs out of the Fortress Notes Trust before the payment of any interest to Noteholders.

7.3 Stamp Duty

Neither the Fortress Noteholders nor the Fortress Notes Trust should be liable for stamp duty on an issue or redemption of Fortress Notes. No stamp duty will be payable on a transfer or assignment of Fortress Notes effected in New South Wales. Australian stamp duty should not be payable on the arrangements relating to the issue of the Loan Notes by the Portfolio Trust to the Fortress Notes Trust, or the taking of security in connection with the Loan Notes.



Investigating Accountant's Report

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial Services Licence No 244572

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Facsimile +61 2 8266 9999

The Directors
Macquarie Fortress Investments Limited
No 1 Martin Place
SYDNEY NSW 2000

4 March 2005

Investigating Accountant's Report on Forecast Financial Information

Dear Sirs

We have prepared this report on the forecast financial information of Macquarie Fortress Australia Notes Trust (the Trust) for inclusion in a Prospectus dated on or about 7 March 2005 ("the Prospectus") relating to the issue of Macquarie Fortress Notes.

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian Financial Services licence under the Corporations Act 2001 (Cth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report (the Report) covering the following information:

(a) pre tax forecast yield for the 12 months following the Initial Investment Period disclosed in Section 3.1 of the Prospectus;
(b) the best estimate assumptions outlined in Section 3.1 of the Prospectus which have been used in preparing the forecast yield; and
(c) the sensitivity analysis of the forecast yield included in section 3.2 of the Prospectus
(collectively, the "Forecast").

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The Directors
Macquarie Fortress Investments Limited
4 March 2005

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecast to which it relates for any purposes other than for which it was prepared.

Scope of review of the Forecast financial information

The Directors of Macquarie Fortress Investments Limited (the Trustee) are responsible for the preparation and presentation of the Forecast, including the best estimate assumptions.

Our review of the best estimate assumptions underlying the Forecast was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the Forecast. These procedures included discussion with the Directors and management of the Trust and consideration of the requirements of ASIC Policy Statement 170 and have been undertaken to form an opinion whether:

- anything has come to our attention which causes us to believe that the best estimate assumptions do not provide a reasonable basis for the preparation of the Forecast; and

- whether, in all material respects, the Forecast is properly prepared on the basis of the assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, the return calculation methodology and the accounting policies of the Trust disclosed in Section 3.1 of the Prospectus, and the Constitution of the Trust dated 4 March 2005 (the Constitution) so as to present a view of the Trust which is consistent with our understanding of the Trust's future operations.

The Forecast has been prepared by the Directors to provide investors with a guide to the Trusts potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of

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The Directors
Macquarie Fortress Investments Limited
4 March 2005

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subjective judgement involved in the preparation of Forecast. Actual results may vary materially from the Forecast and the variation may be materially positive or negative. Accordingly, investors should have regard to the investment risks set out in Section 5 of the Prospectus.

Our review of the Forecast that are based on best estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecast included in the Prospectus.

Review statement on the Forecast

Based on our review of the Forecast, which is not an audit, and based on an investigation of the reasonableness of the best estimate assumptions giving rise to the Forecast, including consideration of the requirements of ASIC Policy Statement 170, nothing has come to our attention which causes us to believe that:

(a) the best estimate assumptions set out in Section 3.1 of the Prospectus do not provide a reasonable basis for the preparation of the Forecast;

(b) the Forecast is not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the return calculation methodology and accounting policies adopted by the Trust disclosed in Section 3.1 of the Prospectus and the requirements of the Constitution; and

(c) the Forecast is unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Trust. If events do not occur as assumed, actual results and interest payments achieved by the Trust may vary significantly from the Forecast. Accordingly, we do not confirm or guarantee the achievement of the Forecast, as future events, by their very nature, are not capable of independent substantiation.

(3)

PRICEWATERHOUSECOOPERS

The Directors
Macquarie Fortress Investments Limited
4 March 2005

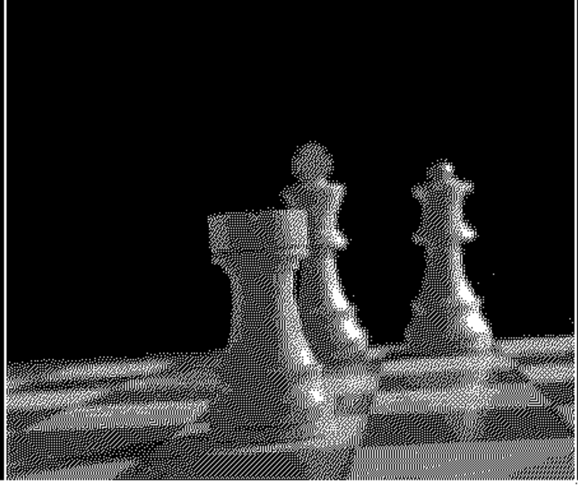
Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the offer other than the preparation of its Investigating Accountant's Report, and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

M. Ha

Mark Haberlin
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



Material Contracts

9

This section summarises the principal terms of the material contracts entered into, or to be entered into, in connection with the issue of Fortress Notes.

9.1 Trust Deed for the Macquarie Fortress Australia Notes Trust

The Trust Deed for the Macquarie Fortress Australia Notes Trust is dated 4 March 2005. Under the Trust Deed, Macquarie Fortress Investments Limited is appointed as trustee and has all the powers with respect to the trust fund it would have if it were the absolute and beneficial owner of the rights and property of the trust fund including the power to borrow and grant security over the trust assets including by issuing Fortress Notes and granting charges. The trust assets are held on trust for named charitable or benevolent institutions.

9.2 Notes Deed and Terms of issue of Fortress Notes

The Fortress Notes are issued pursuant to a deed called a Series Trust Deed (that incorporates the terms of a Master Trust Deed). The Series Trust Deed and Master Trust Deed are described below and are incorporated by reference in this Prospectus in accordance with the Corporations Act.

Copies of the Series Trust Deed and the Master Trust Deed will be provided free of charge to any person who asks for them during the Offer period by contacting Fortress (see the Directory for contact details).

The Series Trust Deed was made between Macquarie Fortress Investments Limited as trustee of the Macquarie Fortress Australia Notes Trust (Fortress) and Permanent Trustee Company Limited (as Notes Trustee) on 4 March 2005.

Series Trust Deed

The Series Trust Deed contains the terms and conditions of the Fortress Notes and establishes a trust for Noteholders.

Under the Series Trust Deed, the Notes Trustee is appointed as Notes Trustee to hold for the benefit of the investors:

(a) the right to enforce Fortress's duty to pay amounts due in respect of the Fortress Notes;

(b) the right to enforce Fortress's obligation to pay all other amounts payable under the Fortress Notes;

(c) any amounts it receives for the holders of Fortress Notes under the transaction documents;

(d) any rights which it acquires under the security arrangements entered into by Fortress with the Notes Trustee in respect of the Series Property; and

(e) the right to enforce any other duties or obligations that Fortress has under:

- the terms of the Fortress Notes;
- the Series Trust Deed;
- the other transaction documents relating to the Fortress Notes; or
- Chapter 2L of the Corporations Act.

Note Terms

The terms of the Fortress Notes under the Series Trust Deed are as follows:

9.2.1 Form of Fortress Notes

Fortress Notes are Limited Recourse debt securities of Fortress ranking equally without preference amongst themselves (the only difference between the classes of Notes being as to interest payable on Class A Notes during their Initial Investment Period). The Fortress Notes issued under this Prospectus are denominated in Australian dollars.

9.2.2 Security

The obligations of Fortress in respect of each Series of Fortress Notes are secured by a charge granted by Fortress over certain of its assets (primarily comprising its rights under the Loan Notes) in favour of the Notes Trustee who will hold the charge for the benefit of all Noteholders in the Series. However, under Section 283BH of the Corporations Act, Fortress Notes are classified as "unsecured notes".

9.2.3 Undertaking to pay

Fortress has undertaken for the benefit of investors to repay as a debt the face value of each Fortress Note in issue on or before the Maturity Date for that Fortress Note and to pay all other amounts due and payable in respect of Fortress Notes in accordance with the Series Trust Deed.

9.2.4 Repayment of Face Value and Early Exit

Fortress agrees to repay the outstanding Face Value of each Fortress Note on the Maturity Date. However, the Noteholders agree that they have limited recourse to the Series Property under the charge granted as Security for repayment of the amount outstanding on the Notes. This means that if the Series Property is insufficient to make all payments due in respect of the Notes and for Fortress to meet its repayment obligations the Noteholders will not recover any additional amount from Fortress. Subject to the ASX listing rules and applicable law Fortress intends to offer early redemption every nine years after the issue of Fortress Notes. Any redemption will be at a premium or discount to the Face Value of the Fortress Notes equal to the premium or discount to face value of the Loan Notes payable to Fortress on redemption of the Loan Notes on the same date and less a pro rata portion of all expenses of Fortress payable at that date that are not taken into account in the amount payable on the Loan Notes.

9.2.5 Interest

Interest is payable in arrears on each Fortress Note by 30 June, 30 September, 31 December and 31 March each year. The maximum interest rate for a Fortress Note during its Initial Investment Period is BBSW. Otherwise the interest rate is determined based on the interest on the Loan Notes issued by the trustee of the Portfolio Trust (after deducting expenses of the Macquarie Fortress Australia Notes Trust not taken into account in calculating the Loan Notes interest), which in turn relies on the performance of the Portfolio held by the Portfolio Trust and taking into account currency movements.

9.2.6 Events of default and early redemption

Early redemption will occur if there is an event of default in respect of the Fortress Notes and either the Notes Trustee or Fortress elects early redemption. Early redemption will occur if there is an event of default in respect of the Loan Notes (as described in Section 9.7) and Fortress elects early redemption.

There is an event of default in respect of the Fortress Notes if:

(a) Fortress fails to pay any amount in respect of the Fortress Notes within 21 days of the due date for payment;

(b) Fortress fails to perform its obligations under a transaction document in respect of the Notes or the Series, that failure will have a material adverse effect, and Fortress does not remedy the breach within the time required;

(c) an insolvency event occurs in respect of the Macquarie Fortress Australia Notes Trust;

(d) a transaction document in respect of the Notes or the Series ceases to be effective in accordance with its terms, in a way that is likely to have a material adverse effect; or

(e) there is an adverse change in any law, official directive or request in relation to taxation, reserve, liquidity, capital adequacy, special deposit or similar requirements, and that change has a material adverse effect which is either not possible to prevent or has not been prevented by Fortress within the time required; or

(f) any representation or warranty made by Fortress is false or misleading and is likely to have a material adverse effect.

If an event of default occurs then the charge which is the Security for the Fortress Notes (see Section 9.3 of this Prospectus) becomes enforceable to the extent that it applies to the property of Fortress referable to the Fortress Notes.

The Notes Trustee must take action to enforce the Master Trust Deed where all the following conditions are satisfied:

(a) the Notes Trustee is requested in writing to take the action; and

(b) the request to the Notes Trustee is made:

(i) by Noteholders who hold more than 75%, in terms of aggregate Face Value (as defined in the relevant Series Trust Deed), of all the Notes; or

(ii) by a resolution of Noteholders passed in accordance with the rules for Noteholder meeting; and

(c) the Notes Trustee is indemnified, to its reasonable satisfaction, against:

(i) all actions, proceedings, claims and demands to which the Notes Trustee may render itself liable by taking such action; and

(ii) all costs, charges, damages and expenses which the Notes Trustee may thereby incur.

The Notes Trustee also has the right, but not the obligation (unless directed to do so by Noteholders) to take separate enforcement action.

No Noteholder shall be entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any Note unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing, in which case any such Noteholder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), itself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. However, the Notes Trustee may and if directed by the Noteholders pursuant to an extraordinary resolution, must, by notice to Fortress declare the Face Value of the Fortress Notes and all unpaid amounts in respect of the Fortress Notes to be immediately due and payable.

After an event of default, the Notes Trustee will pay the amount recovered on enforcement in the following order:

(a) firstly, pay all fees, costs charges, GST, expenses and disbursements incurred by or incidental to the exercise or performance or attempted exercise or performance of any rights, remedies or powers by the Notes Trustee or any of its agents under or in connection with the transaction documents in respect of the Notes including the Notes Trustee's fees and expenses;

(b) secondly, pay equally and rateably, all fees owing to the Notes Trustee (in its personal capacity and on behalf of the Noteholders), Noteholders and the Registrar (other than those referred to in paragraph (a) above);

(c) thirdly, pay equally and rateably:

- all fees owing to the Notes Trustee (in its personal capacity and on behalf of the Noteholders), Noteholders and the Registrar (other than those referred to in paragraphs (a) and (b) above);
- each Noteholder of any amounts of interest due and payable to the Noteholder in respect of the Fortress Notes;
- to each Noteholder any amounts of principal due and payable to the Noteholder in respect of the Fortress Notes; and

(d) fourth, pay any remaining amount to Fortress.

On the early redemption date Fortress must redeem each Fortress Note by repaying the outstanding Face Value of all Fortress Notes plus any other unpaid amount owing to the Noteholder under the terms of issue of the Fortress Notes.

9.2.7 Payments dates and Business Days

If a payment falls due on a day which is not a Business Day, the payment date is to be made on the preceding Business Day. For this purpose a Business Day is a day on which banks are open in Sydney, Australia, New York, USA, and Grand Cayman, Cayman Islands, other than a Saturday, Sunday or public holiday.

9.2.8 Register of Fortress Notes

Fortress has agreed to keep or cause to be kept an up-to-date register in relation to Fortress Notes including the details of each investor and the number of Fortress Notes held by each investor. Subject to the terms of issue of the Fortress Note, the person whose name is registered as the holder of a Fortress Note will be treated by Fortress and the Notes Trustee as the absolute owner of that Fortress Note. The Register is the only conclusive evidence of a Noteholder's entitlement to Fortress Notes. If certificates are issued, they are not evidence that Notes are held. The right to inspect the register is limited to obtaining the Noteholder's own information and information given following an undertaking that the information is to be used to convene Noteholder meetings, make Fortress Note acquisition offers, give notice about matters relating to Fortress or the Fortress Notes or for bona fide research and other purposes approved by ASIC (see Section 10.4 of this Prospectus).

9.2.9 Transfers of and payments under Fortress Notes

Provisions relating to transfers of, and payments under, Fortress Notes are set out in the Master Trust Deed and the Series Trust Deed. Payments to investors will be made according to the information recorded in the Register as at the relevant record date.

9.2.10 Deductions and withholdings

If a law requires Fortress to deduct an amount in respect of taxes from a payment under a Fortress Note, then Fortress will deduct that amount and pay it to the relevant authority. Fortress is not obliged to pay any additional amounts to investors in respect of that deduction. If you do not quote your Tax File Number (TFN) or proof of an appropriate exemption, Fortress is required to withhold from payments to you in accordance with Australian tax law. If you acquire your Fortress Notes in the course of furtherance of an enterprise you may quote your Australian Business Number instead of your TFN (see Section 7 of this Prospectus for a summary of tax issues).

9.2.11 Investors bound

Each investor in Fortress Notes is bound by the Series Trust Deed (including the Master Trust Deed), the Security and the other documents described in this Section 9 of this Prospectus.

9.2.12 Meetings of Investors

Meetings of Noteholders are to be conducted in accordance with Part 2L.5 of the Corporations Act and the Series Trust Deed (including the Master Trust Deed). A resolution passed at such a meeting is binding on all Noteholders.

9.3 Master Trust Deed and Deed of Charge

The Master Trust Deed and Charge were made between Macquarie Fortress Investments Limited as trustee of the Macquarie Fortress Australia Notes Trust (Fortress) and Permanent Trustee Company Limited (as Notes Trustee) on 4 March 2005.

9.3.1 Application

The Master Trust Deed applies to multiple issues of securities by Fortress. The Master Trust Deed to Fortress Notes is applied to a Series as varied by the Series Trust Deed. The Master Trust Deed provides for the creation of separate trusts for new series of notes.

However, Fortress is under an obligation to ensure that all proceeds received from each Series are to be recorded, kept and dealt with separately.

The proceeds from, and other assets of Fortress allocated to, one series of notes are not available to meet amounts owing in respect of any other series of notes.

The Master Trust Deed provides for charges over specified assets of Fortress to be granted to secure amounts owing by Fortress to the Noteholders.

In the case of the Fortress Notes, Fortress has granted a floating charge over its rights in respect of the Loan Notes and the transaction documents in favour of the Notes Trustee, for itself and as trustee for the Noteholders, to secure payment to be made by Fortress to holders of Fortress Notes.

9.3.2 Rights and obligations of Trustee

The rights and obligations of Permanent Trustee Company Limited in its capacity as the Notes Trustee are set out in the Series Trust Deed (including the terms of the Master Trust Deed).

The Master Trust Deed and the Series Trust Deed limit the duties owed by the Permanent Trustee Company Limited. Additionally, any liability arising under the Master Trust Deed or any other transaction document is limited and can only be enforced against Permanent Trustee Company Limited to the extent to which the liability can be satisfied out of property of the relevant trust. However, this limitation of liability does not apply where there has been a reduction in Permanent Trustee Company Limited's indemnity out of the assets of the relevant trust, as a result of its gross negligence, fraud, wilful misconduct or breach of trust.

9.3.3 Removal and resignation of Trustee

Permanent Trustee Company Limited may retire as Notes Trustee by giving Fortress not less than 20 Business Days notice (or such shorter period as Fortress and the Notes Trustee may agree) in writing.

The Noteholders may by extraordinary resolution and giving Permanent Trustee Company Limited at least 20 Business Days notice remove Permanent Trustee Company Limited as Notes Trustee.

Where retirement or removal occurs as outlined above, Permanent Trustee Company Limited's appointment as Notes Trustee will not cease until an approved replacement trustee has been appointed in accordance with the Master Trust Deed. Additionally, Fortress and Permanent Trustee Company Limited are required to use all reasonable endeavours to, within a reasonable time, appoint a new trustee which qualifies under section 283AC of the Corporations Act.

If there has been an insolvency event in respect of the Permanent Trustee Company Limited (in its personal capacity) or a material breach of its obligations under a transaction document, it must immediately retire and give notice to Fortress of the occurrence of the Insolvency Event and its retirement. Where there is a retirement of the trustee due to an insolvency event, Fortress will convene a meeting of Noteholders to appoint a replacement trustee as soon as practicable after receiving notice of the Insolvency Event (and in any event within 30 days). Additionally, Fortress will, to the extent permitted by law, perform the duties of the trustee as set out in the transaction documents until a replacement trustee is appointed.

9.3.4 Fees, indemnities and expenses

The Master Trust Deed provides that Fortress must pay to the Notes Trustee:

(a) the fees in respect of each Series agreed between the Notes Trustee and Fortress;

(b) if the Notes Trustee reasonably takes any enforcement action in relation to the deed, such additional remuneration as shall be commensurate with any additional duties and responsibilities performed or undertaken by the Notes Trustee in consequence of taking such enforcement action (as agreed from time to time between the Issuer and the Trustee); and

(c) in the absence of agreement in relation to the additional remuneration referred to in paragraph (b) above, the Notes Trustee shall be entitled to charge Fortress reasonable hourly rates for time spent by the Note Trustee's officers and employees in relation to such enforcement action. Such hourly rates shall:

- reflect the level of expertise required to perform the work; and
- be commensurate with and referable to the hourly rates charged at the relevant time by members of the Insolvency Practitioners Association of Australia for work of the kind being performed by the Trustee's officers and employees.

The fees agreed for the Fortress Notes are set out in Section 2.21 of this Prospectus.

Fortress indemnifies the Notes Trustee out of the Series Property against any claim, loss, damage, liability or expense made against, or suffered, incurred or payable by it in certain circumstances, and the Notes Trustee will be indemnified out of the moneys and other property it holds as trustee. The Notes Trustee will be indemnified for all liabilities arising from the exercise or performance of its powers and obligations as Notes Trustee except to the extent that such liabilities arise from the fraud, gross negligence, wilful misconduct, or breach of trust of the Notes Trustee.

9.3.5 Prior to an Event of Default — Order of Priority of Payments

Prior to an Event of Default, Fortress, shall on each payment date prior to the enforcement of a Security apply all amounts in or towards the satisfaction of the following payments in the following order of priority (and in each case only and to the extent that payment or provisions of a higher priority have been made in full):

(a) first, in payment of all fees, costs, charges, GST, expenses and disbursements of Fortress (including the fees and expenses due to Trustee, and the Registrar) incurred in connection with the Series;

(b) second, in retention of $125 as provision for distribution to the beneficiaries of the Macquarie Fortress Australia Notes Trust;

(c) lastly, in payment of the balance in payment of interest and principal due on the Fortress Notes.

9.3.6 Event of Default

The Events of Default in respect of a Note are defined by the Series Trust Deed for the Series of Notes. The consequences of an Event of Default are also set out in the Series Trust Deed (see Section 9.2 of this Prospectus).

9.3.7 Limited recourse

The liability of Fortress in respect of the Noteholders, the Trustee and any other secured creditor in respect of a Series is limited to the net proceeds of realisation of the relevant Security pursuant to the relevant charge operating as the Security (Security Documents).

If the net proceeds of realisation of, or enforcement in respect of the relevant Security are not sufficient to make all payments due in respect of the relevant Notes and for Fortress to meet its obligations to the relevant secured creditors such secured creditors shall have no further claims against Fortress in respect of such unpaid amounts.

In exercising any right, power or remedy under any Security Document the Notes Trustee, receiver, administrator, agent or attorney, or other person appointed under the relevant Security Document shall not, nor shall any such person have authority to, incur any liability on behalf of or for the account of Fortress except a liability which is itself subject to this limited recourse.

9.3.8 Waiver and Amendment

The Trustee is not bound by any waiver, amendment, supplement or modification of a transaction document unless it gives its prior written consent as Trustee under the transaction document.

The Trustee must not amend, supplement or modify the provisions of the Master Trust Deed or of any other transaction Document unless the Trustee gives 5 Business Days' prior written notice of the amendment, supplement or modification to each Rating Agency of any Series Trust affected by the amendment, supplement or modification.

Fortress and the Trustee may agree to an amendment of any transaction document without the consent of the Noteholder if in the opinion of the Trustee the amendment is:

(a) of a formal, minor or technical nature;

(b) made to correct a manifest error;

(c) expedient for the purposes of enabling the Fortress Notes to be or remain listed for official quotation on a stock market conducted by ASX and is otherwise considered not to be materially prejudicial to the interests of Noteholders;

(d) necessary to comply with the provision of any law or regulation or the requirements of any government agency;

(e) in the opinion of an expert, necessary or advisable:

— following the announcement or introduction of, or change in, any law (including any law relating to taxation) or official derivative or ruling of a government agency or the announcement or introduction of a clarification of, or change in, the interpretation or application of any such law, directive or ruling which involves more than an insubstantial risk that Fortress would be exposed to more than a negligible increase in costs in relation to the Fortress Notes or as a result of the Fortress Notes being on issue (having regard to any taxation consequences impacting Fortress), and

— in order to ensure that Fortress will be able to avoid those costs, and which the Trustee considers is not materially prejudicial to the interests of the Noteholders; or

(f) in any case where such modification is considered by the Trustee not to be materially prejudicial to the interests of the Noteholders.

Subject to the Master Trust Deed, the Trustee may, by agreement with Fortress, make any alteration, modification or replacement of the Master Trust Deed which has been assented to by the secured creditors by ordinary resolution.

9.3.9 Restrictions on the giving of charges

Fortress must not use, invest or sell or dispose of, or create or permit to subsist any mortgage, pledge, lien (unless arising by operation of law), charge or other security interest upon, the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking other than as contemplated by the Master Trust Deed and in accordance with the transaction documents.

9.4 Intermediary Authorisation — Distribution Arrangements

The distribution and intermediary authorisation agreement is made between Macquarie Fortress Investments Limited as trustee of the Macquarie Fortress Australia Notes Trust (Fortress) and Macquarie Alternative Investments Limited (MAIL) as Arranger.

The agreement sets out the terms on which MAIL agrees to arrange distribution of the Fortress Notes on behalf of Fortress.

Under this agreement, Fortress appoints (on a non-exclusive basis) MAIL and MAIL's authorised representatives to undertake all or any of the following activities:

(a) making offers (or invitations) to apply for Fortress Notes;

(b) accepting applications for Fortress Notes; and

(c) arranging the issue, variation or disposal of Fortress Notes by Fortress.

The agreement may be terminated by either party on 30 days notice.

In consideration for the provision of these services by MAIL, Fortress will pay MAIL a total fee of $50,000 (exclusive of GST) in four equal instalments of $12,500 on 31 August 2005, 30 November 2005, 28 February 2006 and 31 May 2006. After 31 May 2006, Fortress will pay MAIL a fee of $12,500 in arrears for any Quarter in which Notes are issued, regardless of the number of Series of Notes issued during the Quarter.

9.5 The Knight Portfolio Trust

The Knight Portfolio Trust (Portfolio Trust) deed was executed by Walkers SPV Limited on 3 March 2005. The deed establishes and sets out the terms of the Portfolio Trust.

The Portfolio Trust is a unit trust. Walkers SPV Limited is the trustee. The Portfolio Trust is to terminate 80 years after the date of its establishment, on the earlier date determined by the trustee or when it is to terminate at law.

Following termination of the Portfolio Trust provision is made for realisation of the Trust assets and payment of all liabilities and distribution of the net proceeds to the unit holders within 180 days or as soon thereafter as is practicable after termination of the Portfolio Trust.

The Portfolio Trust's assets are valued as at the end of each Quarter, as required by the documents described in Sections 9.6 to 9.9 of this Prospectus, when required by law or otherwise when the trustee thinks fit. The valuations are to be at market value in accordance with the Investment Management Agreement described in Section 9.6 of this Prospectus.

The trustee is given broad general powers including the power to borrow, to encumber assets and give security, and the trustee is required to enter into the Loan Notes Facility Deed, the Leveraged Exposure documentation (described below in Section 9.9) and any charges contemplated by it, and charges in favour of Macquarie Fortress Investments Limited in its capacity as trustee of the Macquarie Fortress Australia Notes Trust and to Macquarie Fortress Investments Limited in its capacity as trustee of the Macquarie New Zealand Fortress Notes Trust (that rank equally and subordinate to the security given for the purpose of the Leveraged Exposure and security given for the purposes of hedging currency risks) and the Priority and Subordination Deed (see Section 9.8). It is also required to enter into the Investment Management Agreement appointing Four Corners as the Asset Manager for the Portfolio Trust. These documents are referred to as the Fund Agreements.

The trustee is required to comply with those documents and must invest in, dispose of and otherwise deal with the property and rights as required under the Fund Agreements.

The trustee may retire on three months notice to the Noteholders and the parties to the Fund Agreements but short notice is permitted where agreed by the parties to those agreements. A replacement trustee is to be appointed by the retiring trustee but must first be approved by the parties to the Fund Agreements (other than the Trustee). If it does not make an appointment, within one month of its retirement or on its removal, then the parties to the Fund Agreements may appoint the replacement trustee. If they do not do so within one month of the retirement or removal then the Portfolio Trust is to be wound up.

The trustee is entitled to be indemnified out of the Portfolio Trust assets for performance of its duties and for costs and expenses it incurs and fiscal impositions which become payable in respect of the assets of the Trust. The liability of the Noteholders is limited to the amount which they invested in the Portfolio Trust.

The trustee is entitled to be paid out of the assets of the Portfolio Trust a fee of US$10,000 per annum payable from the date the Trust commences pro rated for the period to the next following 1 October and thereafter payable annually on 1 October each year to the date of final distribution.

The deed can be amended by the trustee other than as to the requirement to enter into and comply with the Fund Agreements.

9.6 The Knight Portfolio Trust Investment Management Agreement

The Investment Management Agreement is made between Walkers SPV Limited as trustee of the Knight Portfolio Trust and Four Corners Capital Management LLC as investment manager.

Four Corners is appointed by the trustee of the Portfolio Trust to:

(a) Advise the Client in relation to the Portfolio including:

- identifying Senior Loans and Permitted Future Investments to be included in the Portfolio;
- reviewing and applying credit analysis to the Senior Loans and Permitted Future Investments (and where applicable assets underlying Permitted Future Investments);
- actively monitoring the performance of each Senior Loan and Permitted Future Investment included in the Portfolio;
- providing Reports as provided in this Agreement; and
- the withdrawal (in whole or part) of any Senior Loans or Permitted Future Investments from the Portfolio.

(b) Make drawdowns from the Leveraged Exposure facility for the purposes of purchasing Senior Loans or Permitted Future Investments for the Portfolio.

(c) Assist the Client and its Custodian (if any) to acquire Senior Loans and Permitted Future Investments for inclusion in the Portfolio as agent for the Client.

(d) Assist the Client and its Custodian (if any) to dispose of Senior Loans and Permitted Future Investments included in the Portfolio as agent for the Client.

(e) Act as agent of the Client in all matters relating to the Senior Loans and Permitted Future Investments included in the Portfolio including exercising all rights which the Client has in relation to the Portfolio and liaising with the Custodian (if any) to do so.

The appointment is terminable by Four Corners on 60 days notice. Four Corners must endeavour to find a replacement on acceptable terms and if it does not, then both the trustee and Four Corners must attempt to find a replacement. The trustee of the Portfolio Trust can, in limited circumstances terminate the appointment, for instance, if the termination is necessary to comply with the law or if any Fund Agreement (other than any custody agreement) terminates and is not replaced with a comparable agreement.

If the Investment Management Agreement is terminated by the trustee within 12 months of its commencement (other than where a Leveraged Exposure Document is terminated or Four Corners is in material default), then the balance of the fees for the first 12 months are payable.

The agreement is not exclusive and conflicts may arise.

The trustee indemnifies Four Corners for performance except where Four Corners is grossly negligent, or there has been wilful misconduct, fraud or breach of the agreement by Four Corners. This is subject to the trustee's limitation of liability to its right of indemnity out of the Portfolio Trust assets.

Four Corners indemnifies the trustee for Four Corners' gross negligence, wilful misconduct, breach of the agreement or fraud. Four Corners is also required to have insurance. Neither Four Corners nor the trustee will be liable for special, indirect, consequential or punitive damages.

The fee arrangement between Four Corners and the trustee is set out in Section 2.21 of this Prospectus. Four Corners is to provide daily, monthly and quarterly reports.

9.7 Loan Notes Facility Deed

The Loan Notes Facility Deed was made between Fortress and the trustee of the Portfolio Trust on 6 March 2005. Under this deed, the trustee of the Portfolio Trust proposes to raise money to carry on its business in accordance with the Fund Agreements. Fortress will acquire those Loan Notes generally having a maturity date 30 years after they are issued but on the basis that they may be redeemed on the last day of a quarterly period (which matches Quarters for the Fortress Notes) or at such other times and in such other circumstances as are provided or are agreed.

Loan Notes can be redeemed at the election of Fortress as a holder when an Early Maturity event occurs such as:

- an event of default including failure by the Portfolio Trust to comply with the Loan Note documents or the arrangements with a Leverage Provider or where failure to pay any amount that is due and payable on the Loan Notes or under the Leveraged Exposure arrangements is not remedied, certain insolvency events, payment defaults, creditor arrangements or events that have a material adverse effect in respect of the Portfolio Trust, its Leveraged Exposure arrangements or the Loan Notes facility occur or the Investment Management Agreement with Four Corners terminates;
- a termination event including vesting or resettlement of the Portfolio Trust, material breach by the Investment Manager of its obligations or termination of the Leveraged Exposure;

- an increased cost event that results in certain adverse tax or other financial effects of holding the Loan Notes;
- where it becomes illegal or impractical as a result of a change in law to hold the Loan Notes.

Illegality and termination events also allow the trustee of the Portfolio Trust to redeem the Loan Notes early.

See section 5.5.5 for further discussion of the Early Maturity events.

Loan Notes may be issued in multiple series and may be denominated in Australian dollars, New Zealand dollars or other currencies. Each Loan Note will rank equally without preference as between themselves (subject to any special terms and conditions applicable to any of the Loan Notes).

The maximum interest rate payable on the Loan Notes denominated in A$ during the Initial Investment Period is BBSW. If the average return on the Portfolio is below BBSW the rate will be less than BBSW. Thereafter the interest rate payable on the Loan Notes denominated in A$ includes the Standard A$ Rate (which may be negative) where the Standard A$ Rate is ASA/B x 365/N;

Where:

- ASA is [(Australian Quarterly Fraction × C — Australian Expenses)] / AUD–USD FX Rate.
- the Australian Quarterly Fraction is the weighted weekly average of the face value of such Loan Notes denominated in Australian dollars (converted to US dollars) divided by the face value of such loan notes (however denominated) issued by the Portfolio Trust (converted to US dollars).
- Australian Expenses is the total (in US dollars) of all expenses notified by Fortress to the Portfolio Trust during or prior to the Quarter. This provides for expenses incurred by Fortress as it is intended that most expenses will be recouped from the Portfolio Trust.
- C is Available Cash less the amount of interest paid at Australian BBSW (multiplied by the AUD-USD FX Rate) and New Zealand BKBM (multiplied by the NZD-USD FX Rate) for that Interest Period for all Loan Notes.
- Available Cash = the total amount of cash received by the Portfolio Trust as a return on the Senior Loans portfolio and any other investments but not including any cash received, but not invested, by Fortress in respect of Applications less the total amount of cash paid by or currently due and payable by Fortress less any amount the Portfolio Trust/Fortress, and any other holders of loan notes agree should be retained to enhance the ability of the Portfolio Trust to repay the principal amount of any loan notes.
- B is the total face value of Loan Notes denominated in Australian dollars in issue except, in the case where ASA is positive, those in their Initial Investment Period.
- N means the number of days in the relevant Interest Period.

The trustee's obligations and liabilities are limited to its right of indemnity out of the assets of the Portfolio Trust and it is not liable out of its own assets other than for its fraud, gross negligence or wilful misconduct.

Fortress's obligations and liabilities as provider of funding to the trustee and holder of the Loan Notes is limited to Macquarie Fortress Investments Limited in its capacity as trustee of the Macquarie Fortress Australia Notes Trust and it is not liable out of its own assets other than for its fraud, gross negligence or wilful misconduct.

The Loan Notes Facility Deed may be amended with the approval of Fortress or with the approval of holders of Loan Notes with an aggregate of not less than 50% of the total face value of the issued Loan Notes. Changes which can be made without Noteholder approval are limited to formal, minor or technical changes, changes to correct manifest errors, changes which are not likely to be materially prejudicial to the interests of Noteholders where 2 directors of the trustee of the Portfolio Trust as the note issuer have so certified to the Noteholders.

If further Loan Notes are to be issued to persons other than Fortress and on terms which require amendment to the deed, then Fortress would approve the changes only if they did not prejudice the overall benefits to Fortress of its Loan Notes and as a Noteholder and chargee under the charge referred to in Section 9.8 below, or were otherwise in the best interests of Fortress.

9.8 Charge In Favour Of Fortress and Deed of Priority

A fixed and floating charge governed by Cayman Island law was granted in favour of Fortress by the trustee of the Portfolio Trust on 5 March 2005 over all of its assets and undertakings in respect of the Portfolio Trust acquired after the date of the charge in respect of the Portfolio Trust to secure the trustees' obligations under the Loan Notes Facility Deed and any other moneys due by the trustee to Fortress. The Fortress Trust has agreed that it will enter into a Priority and Subordination Deed. Under this deed, the charge will rank in priority behind any security granted to a Leverage Provider and any security granted to secure currency hedging (FX Provider) on the Loan Notes to the USD, but will rank equally with any charge granted to Fortress in its capacity as trustee of the Macquarie New Zealand Fortress Notes Trust as a holder of $NZ notes. The charge prohibits the trustee from encumbering the assets of the Portfolio Trust otherwise than under the securities contemplated by those arrangements or with the prior consent of Fortress.

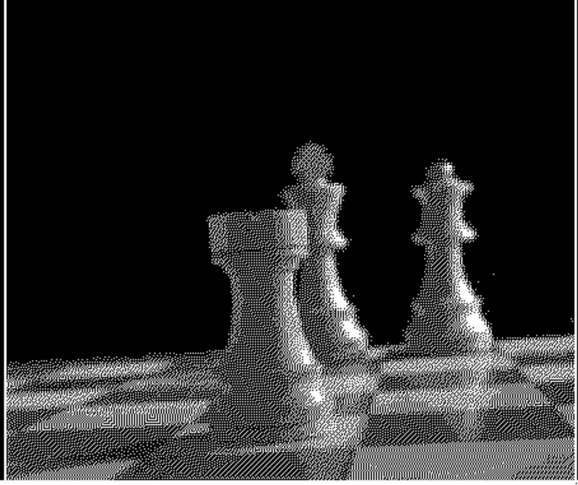
The trustee's obligations and liabilities are limited to its right of indemnity out of the assets of the Portfolio Trust and it is not liable out of its own assets other than for its fraud, gross negligence or wilful misconduct.

9.9 The Portfolio Trust Leverage Arrangement

By agreement dated 4 March 2005 the trustee of the Portfolio Trust has engaged MBL to introduce it to a Leverage Provider and arrange the Leveraged Exposure on terms consistent with those described in this Prospectus. MBL is entitled to a fee for the term of the facility being the amount (if any) by which the total cost of the facility arranged with a Leverage Provider is less than 0.75% per annum above the London Interbank Offered Rate (LIBOR). The facility to be arranged is to be:

- for an amount which is at least 6.5 times the face value of the loan notes
- a term of at least the period ending one year
- funds are to be available from 16 May 2005
- interest is to be a market rate payable Quarterly
- usual termination and events of default are to apply (such as increased costs, if it becomes illegal to continue to provide the arrangement or due to other factors beyond the control of the Leverage Provider). In addition it is anticipated that the leverage provider will have a termination right if there is a material breach of the Portfolio guidelines (see Section 2.9 of this Prospectus), there is insolvency or like events in relation to the Portfolio Trust or breach of its obligations or the Leverage Ratio is above a specified ratio within the range of 6.5 to 10.

The terms and conditions of the Leveraged Exposure are expected to be renegotiated periodically. See Section 5.5.5 for a description of the risks of renegotiation.



Additional Information

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This Section contains additional information that may be relevant to your decision whether to invest in Fortress Notes.

10.1 What Information Will Noteholders Receive?

Initial Confirmations

If your Application is accepted, you will receive an investment confirmation as soon as practicable after the Fortress Notes are issued.

Quarterly Reports

You will receive quarterly performance reports showing:

- the value of your Fortress Notes at the reporting date;
- the interest paid since the last quarterly report.

Quarterly reports required by Chapter 2L of the Corporations Act will also be provided to the Notes Trustee and lodged with ASIC.

Annual Tax Reports

You will receive annual tax reports showing the taxable income from interest (if any) paid on your Fortress Notes for that financial year.

10.2 Disclosing Entity

As a disclosing entity, Fortress will be subject to regular reporting and disclosure obligations and copies of documents lodged with ASIC in relation to the Fortress Notes Trust may be obtained from, or inspected at, an ASIC office. You may obtain copies of the following documents by contacting Fortress on 1800 0800 33:

- the annual financial report most recently lodged with ASIC by Fortress Notes Trust;
- any half year financial report lodged with ASIC by the Fortress Notes Trust after the lodgement of that annual financial report and before the date of this Prospectus; and
- any continuous disclosure notices given by the Fortress Notes Trust after lodgement of that annual report and before the date of this Prospectus.

10.3 Corporations Act Reporting Requirements

The Corporations Act prescribes certain reporting and disclosure obligations for public companies as well as specific duties for issuers of notes such as the Macquarie Fortress Notes.

Fortress has determined that in order to ensure that clear and effective disclosure is provided to the Notes Trustee it will, in addition to its personal reporting obligations under the Corporations Act, provide yearly and half-yearly accounts and reports on those accounts to the Notes Trustee in respect of the Macquarie Fortress Australia Notes Trust.

10.4 Regulatory Waivers and Modifications

Fortress has applied for a waiver from condition 3 of ASX's Listing Rule 1.8 so that Fortress does not need to have at least $10 million in net tangible assets at the time of admission to the official list of the ASX.

The Issuer has also applied to ASIC and has been granted relief from Section 173(6) of the Corporations Act to limit the right to inspect the Register.

10.5 Interests and benefits of Directors of Fortress

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director of Fortress, and no firm in which a Director or proposed Director of Fortress is a partner, holds, or held at any time during the last two years before the date of this Prospectus, any interest in:

- the formation or promotion of Fortress;
- any property acquired or proposed to be acquired by Fortress in connection with its formation or promotion or in connection with the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or proposed Director of Fortress:

- to induce them to become, or to qualify them as, a Director; or
- for services rendered by them in connection with the formation or promotion of Fortress or in connection with the Offer.

Directors of Fortress are not required to hold Fortress Notes and no Director is, at the date of this Prospectus, a beneficial holder of any Fortress Notes. However, Directors may acquire Fortress Notes under this Prospectus.

Officers' indemnities

Directors and secretaries of Fortress or any wholly owned subsidiary of Fortress are entitled to be indemnified out of the property of Fortress against:

(a) every liability incurred by the person in that capacity (except a liability for legal costs); and

(b) all legal costs incurred in defending or resisting (or otherwise in connection with) legal proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity, unless:

(c) the liability is owed to Fortress or to a related body corporate;

(d) the liability is for a pecuniary penalty order under the Section 1317G of the Corporations Act or a compensation order under Section 1317H of the Corporations Act;

(e) the liability is owed to someone other than Fortress or a related body corporate and did not arise out of conduct in good faith;

(f) the legal costs are incurred:

  (i) in defending or resisting proceedings in which the person is found to have a liability for which they could not be indemnified because of the above; or

  (ii) in defending or resisting proceedings in which the person is found guilty; or

  (iii) in defending or resisting proceedings brought by the Australian Securities and Investments Commission or a liquidator for a court order if the grounds for making the order are found by the court to have been established (except in responding to actions taken by the Australian Securities and Investments Commission or a liquidator as part of an investigation before commencing proceedings for the court order); or

  (iv) in connection with proceedings for relief to the person under the Corporations Act in which the court denies the relief.

Director's Insurance

Fortress may pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a director or secretary of Fortress or any wholly owned subsidiary of Fortress against any liability incurred by the person in that capacity, unless the liability is for something other than legal costs and arises out of:

(a) conduct involving a wilful breach of duty in relation to Fortress; or

(b) a contravention of Section 182 or 183 of the Corporations Act.

10.6 Interests of other persons

Other than set out below, or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of Fortress or stockbroker to the Offer holds, or held at any time during the last two years before the date of this Prospectus, any interest in:

(a) the formation or promotion of Fortress;

(b) any property acquired or proposed to be acquired by Fortress in connection with its formation or promotion or in connection with the Offer; or

(c) the Offer and

no amounts have been paid or agreed to be paid, and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of Fortress or in connection with the Offer.

Blake Dawson Waldron has provided various legal services and have or will receive professional fees of approximately A$250,000 for legal work undertaken by them in connection with the Offer and this Prospectus.

PricewaterhouseCoopers Securities Limited has provided various services and the report in Section 8 of this Prospectus and has or will receive professional fees of approximately A$30,000.

The Arranger, the Registrar and the Notes Trustee are to be paid the fees set out in Section 2.21 of this Prospectus for their services as Arranger, registrar and trustee for Fortress Noteholders respectively.

10.7 Costs of the Offer

The total costs of the Offer payable are estimated as follows (exclusive of GST):

Fees and expenses of the Arranger	$50,000
Legal and corporate fees and expenses	$360,000
Other fees and expenses associated with Fortress Notes	$200,000
TOTAL	**$610,000**

The total costs of the Offer (up to $600,000) will be recovered by Fortress from the earnings of the Fortress Notes Trust over five years at an amount of $30,000 per Quarter. To the extent the costs of the Offer exceed $600,000, the excess will be met by Fortress and will not be recovered or reimbursed out of the assets of the Fortress Notes Trust.

10.8 Prevention of Money Laundering

Verification of the identity of an applicant for Fortress Notes may be required in order to comply with anti-money laundering laws.

This may require that certain information and documents be provided to Fortress prior to the issue of Fortress Notes. This may result in delays in Fortress Notes being issued.

10.9 Complaints Handling

Fortress has procedures in place to consider and deal with enquiries and complaints within 45 days of receiving them. If you have any queries or complaints you can call 1800 0800 33, or you may write to:

Macquarie Fortress Investments Limited
GPO Box 4294
Sydney NSW 1164

The Arranger is also a member of the Financial Industry Complaints Service Limited ABN 64 068 901 904. If you have any complaints you may write to FICS at:

PO Box 579
Collins Street West
Melbourne Vic 8007

Or call Toll Free Phone: 1300 780 808

10.10 Consents

None of the parties referred to below are issuers of this Prospectus or make or purport to make any statement in this Prospectus (or any statement on which a statement in this Prospectus is based) other than as specified below.

The following have given their written consent (which has not been withdrawn at the date of this Prospectus) as follows:

Four Corners has given its consent to be named in the Prospectus as Asset Manager and to the inclusion of statements made by it in the form and context in which it is named and those statements appear, and also takes responsibility for statements relating to Four Corners Capital Management LLC. Four Corners does not hold an Australian Financial Services Licence. The fees to which it is entitled as Asset Manager are set out in Section 2.21 of this Prospectus.

Walkers SPV Limited as trustee of the Portfolio Trust has given its consent to be named as to the statements about it included in this Prospectus in the form and context in which they appear.

PricewaterhouseCoopers Securities Ltd has given its consent to the inclusion of, and takes responsibility for, its report in Section 8 of this Prospectus.

Blake Dawson Waldron has given its consent to the inclusion of their statements in Section 7 of this Prospectus.

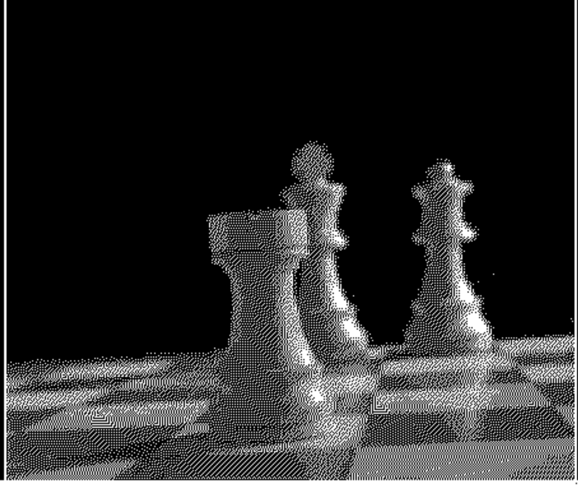
Macquarie Alternative Investments Limited has given its consent to be named in this Prospectus as the Arranger in respect of the Offer in the form and context in which it is named.

ASX Perpetual Registrars Limited has given its consent to being named in this Prospectus as share registry to Issuer in respect of the Offer in the form and context in which it is named.

Permanent Trustee Company Limited has given its consent to being named in this Prospectus in its capacity as Notes Trustee and to the descriptions of it in Sections 1 and 6 of this Prospectus.

10.11 Consents of Directors

Each Director of Fortress has given, and not withdrawn as at the date of this Prospectus, his consent to the lodgment of this Prospectus.



Glossary Of Terms

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TERM	DEFINITION
Allotment Date	The date for issue of the Fortress Notes applied for under this Prospectus as set out in Section 1 of this Prospectus.
Application	An application for Fortress Notes using an Application Form.
Application Fees	The fee of 2.2% referred to in Section 2.21 of this Prospectus that is deducted from Application money and is not applied in acquiring Fortress Notes.
Application Form	The application for Fortress Notes in the form attached to this Prospectus.
Arranger (or MAIL)	Macquarie Alternative Investments Limited ACN 086 159 060.
ASIC	Australian Securities and Investments Commission.
Asset Manager	The manager appointed by the trustee of the Portfolio Trust to provide advice and services in the US on the Portfolio. The current Asset Manager is Four Corners.
BBSW	The rate which appears on Reuters screen page BBSW as the average ask–rate for Australian dollar bills of exchange having a tenor of 90 days.
Benchmark Rate	BBSW + 4.5% p.a. calculated by reference to the face value of the Loan Notes.
Business Day	A day other than a Saturday or Sunday on which banks are open for general banking business in Sydney, Cayman Islands and New York, the United States.
Collateral	Security interests or encumbrances granted in favour of a lender by a borrower or third party to secure the borrower's obligations to the lender.
Corporations Act	The Corporations Act 2001 (C'th).
Default Rate	The value of loans that have gone into default over a 12 month period expressed as a percentage of the average of the total value of loans over the same time period.
Early Exit Date	The date which falls on each successive 9 years after the Initial Investment Period.

TERM	DEFINITION
Early Maturity	An event described in Section 9.2.6 which, at the election of Fortress results in early maturity and termination of the Notes.
Face Value	The face value of a Fortress Note being $1.00.
Fortress	Macquarie Fortress Investments Limited ACN 113 113 214 in its capacity as trustee of the Macquarie Fortress Australia Notes Trust.
Fortress Notes	Fully paid Series 1 Macquarie Fortress Notes that are unsecured notes issued by Fortress on the terms in the Series Trust Deed.
Fortress Notes Trust	Macquarie Fortress Australia Notes Trust (please see Section 9.1 of this Prospectus).
Four Corners	Four Corners Capital Management, LLC, a Delaware, US limited liability company.
FX	Foreign exchange.
Interest Rate	The interest rate payable on the Fortress Notes which will depend upon the interest payable under the Loan Notes. The interest rate on the Loan Notes depends on returns from the Portfolio.
Initial Investment Period	For a Fortress Note is the period from the date of issue of the Fortress Note to the end of the first full Quarter after such issue. For example if Fortress Notes are issued on the Allotment Date (which is expected to be in May 2005) their Initial Investment Period will end on 31 August 2005.
Investment Management Agreement	The agreement between the trustee of the Portfolio Trust and the Asset Manager with respect to advice and services to be provided by the Asset Manager to the trustee of the Portfolio Trust in respect of its Portfolio(s) (see Section 9.6 of this Prospectus).
Institutional Loan	Fully funded loans that pay a credit margin on the entire amount of the loan.
Issue Price	$1 per Fortress Note.
Leveraged Exposure	The geared exposure to the Portfolio which is obtained by the Portfolio Trust either directly (through the direct acquisition of the Portfolio using funds provided by a lender) or indirectly (via Total Return Swaps or similar means).
Leverage Provider	The third party lender(s) or any Total Return Swaps Counterparty providing all or any part of the leverage arrangement which facilitates the Leveraged Exposure to the Portfolio for the Portfolio Trust.
Leverage Ratio	The amount of the Leveraged Exposure divided by the aggregate amount of the US dollar equivalent of the proceeds of the loan notes issued by the Portfolio Trust (including any gains or losses on any foreign exchange contracts) plus or minus the total increase or decrease in the value of the Portfolio.
LIBOR	London Interbank Offered Rate.

TERM	DEFINITION
Limited Recourse	This means that although there is an undertaking by Fortress to repay the Face Value of $1.00 per Fortress Note, the Noteholder agrees that it will not take action to enforce that obligation beyond the Series Property for the Fortress Notes. This means that should that property be insufficient to meet the repayment obligation on Maturity or when the Fortress Note is otherwise redeemed, Noteholders will receive less than $1.00 per Fortress Note.
Loan Notes	An undertaking by the trustee of the Portfolio Trust to repay money lent to it by Fortress under the Loan Notes Facility Deed.
Loan Note Proceeds	The net proceeds from the Loan Notes issued to Fortress by the Portfolio Trust.
Loan Notes Facility Deed	The deed dated 6 March 2005, made between Fortress as lender and the trustee of the Portfolio Trust as issuer of the Loan Notes (see Section 9.7 of this Prospectus).
Loan Notes Proceeds	The amount raised by the Portfolio Trust from the issue of Loan Notes to the Fortress Notes Trust.
Maturity Date	The date at which the Term of the Fortress Notes expires. For Fortress Notes issued under this Offer the Maturity Date will be the date 30 years after the Fortress Notes are issued, unless an Early Maturity event occurs.
MBL	Macquarie Bank Limited ABN 46 008 583 542.
MBL Group	MBL and its related bodies corporate as determined in accordance with the Corporations Act.
Minimum Aggregate Subscription Amount	Applications for at least $20 million of Fortress Notes to be held by at least 25 Noteholders.
Moody's	Moody's Investors Service.
Net Asset Value	The market value of the gross assets included in the Portfolio, including cash assets, less all present liabilities of the Portfolio Trust, including any provision which the trustee of the Portfolio Trust decides should be taken into account in determining the liabilities of the Portfolio Trust.
Non US dollar Senior Loan	Senior Loans issued in currencies other than US dollars.
Note(s)	Fortress Note(s).
Notes Deed	The Series Notes Deed (including the incorporated terms of the Master Notes Deed) (see Section 9.2 and 9.3 of this Prospectus).
Note Proceeds	The amount raised by Fortress from the issue of Fortress Notes (less Application Fees).
Notes Trustee	Permanent Trustee Company Limited as trustee for the Noteholders appointed under the Notes Deed.
Noteholder	Any person registered as the holder of Fortress Notes issued pursuant to this Prospectus.

TERM	DEFINITION
Offer	An invitation to apply for Fortress Notes made pursuant to this Prospectus.
Permitted Future Investment	Instruments that may include unsecured floating rate notes, high yield bonds, senior loans denominated in currencies other than US dollars, credit default swaps, senior loans from distressed borrowers, securities linked to the performance of Senior Loan and/or high yield bond indices, and short positions in Senior Loans or Senior Loan and/or high yield bond index securities and similar instruments.
Portfolio	The portfolio of Senior Loans and the Permitted Future Investments (as replaced from time to time) to which the Portfolio Trust is exposed. The Portfolio Trust may obtain this exposure to both Senior Loans and Permitted Future Investments either directly or indirectly (through Total Return Swaps or similar means).
Portfolio Capacity	At any time is an amount equal to 6.5 times the US dollars equivalent of Loan Notes Proceeds.
Portfolio Margin	The net returns on the Portfolio (which may be negative).
Portfolio Trust	The Knight Portfolio Trust, a Cayman Islands exempted trust established on 3 March 2005 of which Walkers SPV Limited (a licensed trust company incorporated in the Cayman Islands) is the trustee. The assets and liabilities of the Portfolio Trust will include the Portfolio, any foreign exchange hedging contracts, cash held pending investments, cash deposits and all securities held as a result of the exposure to Senior Loans along with liabilities such as expenses and the Loan Notes (see Section 9.5 of this Prospectus).
Quarter	The period from the Allotment Date up to and including 31 August 2005 and thereafter each successive period of 3 months ending 28 February[18], 31 May, 31 August, and 30 November.
Recovery Rate	The amount realised on a loan in the event of a credit default, expressed as a percentage of the face value of the loan.
S&P or Standard and Poors	Standard and Poor's Ratings Group, a division of the McGraw Hill Companies.
Security	The security for the series of Fortress Notes Offered under this Prospectus is a floating charge over the right title and interest of Fortress in and to the Series Property.
Senior Loans	US dollar denominated senior secured commercial loans made to corporations and other forms of business organisations.
Series	All Fortress Notes of a series. The Fortress Notes issued under this Prospectus will be Series 1 Fortress Notes.
Series Property	The Loan Notes acquired by Fortress in relation to the Fortress Notes the security granted by the Portfolio Trust in respect of those Loan Notes, the cash assets held to cover expenses relating to the Series and other rights and assets described in Section 9.2 of this Prospectus.

[18]29 February in a leap year.

TERM	DEFINITION
Series Trust Deed	The trust deed for the Fortress Series 1 Notes dated 4 March 2005 between Fortress and the Notes Trustee as amended, which is described in Section 9.2 of this Prospectus.
Share Registry	ASX Perpetual Registrars Limited.
Subscription Amount	The amount of money any investor pays to invest in Fortress Notes, including the Application Fee payable to Fortress that is described in Section 2.21 of this Prospectus.
Tax Act	Income Tax Assessment Act 1936 and 1997, as the case may be.
Term	For the Fortress Notes is 30 years ending 31 August 2035 subject to Early Maturity or termination (see Section 9.2 of this Prospectus).
Total Return Swaps	Arrangements whereby the Portfolio Trust obtains exposure to the Portfolio assets (Senior Loans and Permitted Future Investments) by entering into contracts where a counterparty agrees to pay the return on the assets and the Portfolio Trust agrees to pay a financing spread.

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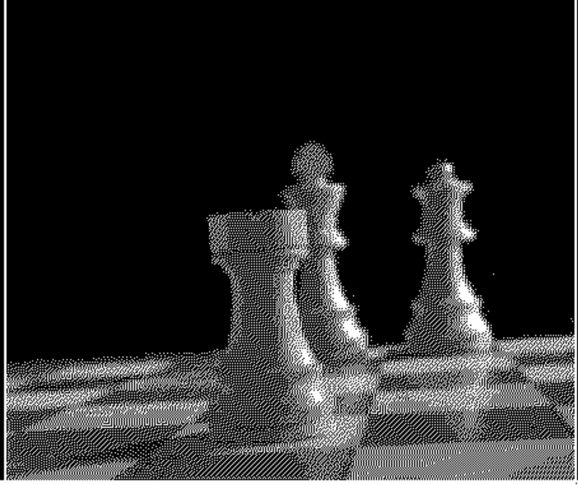

How To Apply

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To apply for Fortress Notes, you must complete the Application Form in this Prospectus and send it together with your payment to ASX Perpetual Registrars Limited. The Fortress Notes Offered under this Prospectus are fully paid Series 1 Notes. During their Initial Investment Period, Fortress Notes pay a maximum of the BBSW (less any net losses) and do not pay a margin based on the Portfolio returns. The Initial Investment Period for a Fortress Note will end at the end of the first full Quarter after they are issued. The Initial Investment Period for the Fortress Notes Offered under this Prospectus would expire on 31 August 2005.

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Notes to which this Application Form relates are Macquarie Fortress Notes ("Fortress Notes"). Further details about the Notes are contained in the Prospectus dated 7 March 2005 issued by Macquarie Fortress Investments Limited. The Prospectus will expire on 7 April 2006.

While the Prospectus is current, Macquarie Fortress Investments Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Fortress Notes. You should read the Prospectus before applying for Fortress Notes.

A Insert the Subscription Amount here. The Subscription Amount must be a minimum of A$5,000 with additional amounts in multiples of A$1,000. An application fee (inclusive of GST) of 2.2% will apply subject to any applicable reductions in the case of a rebate (see Section 2.21 of this Prospectus).

If your Subscription Amount is A$5,000, the 2.2% application fee would be an amount of A$110. This fee will be deducted from your Subscription Amount and the remaining amount will be used to subscribe for Fortress Notes. This means that for a Subscription Amount of A$5,000, you will be issued 4,890 Series 1 Fortress Notes at A$1 each.

B Write the full name you wish to appear on the holding statement of Fortress Notes. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

C Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Fortress will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

D Please enter your postal address for all correspondence. All communications to you from Fortress and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Notes will be issued to Fortress issuer sponsored subregister.

F Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

G Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section A. Make your cheque or bank draft payable to "Macquarie Alternative Investments Limited – Notes Offer" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. Pin (do not staple) your cheque or bank draft to the Application Form where indicated. If you receive a firm allocation of Notes from your Broker make your cheque payable to your Broker in accordance with their instructions.

H Insert details of the Australian Financial Institution Branch and Account into which you wish to have your payment made.

I Ensure that all Applicant(s) sign the Application Form. A company must execute in accordance with the company's constitution and the Corporations Act. For companies with a sole director and sole secretary, this person should sign in the first signature box. The company seal must be affixed if required by the company's constitution.

Lodgement instructions

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5.00pm (Sydney time) on 6 May 2005 at:

Macquarie Alternative Investments Limited
Fortress Note Offer
C/- ASX Perpetual Registrars Limited
Locked Bag A14
SYDNEY NSW 2000

Macquarie Alternative Investments Limited
Fortress Note Offer
C/- ASX Perpetual Registrars Limited
Level 8, 580 George Street
SYDNEY SOUTH NSW 1235

Correct forms of registrable names

Note that ONLY legal entities are allowed to hold Fortress Notes. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

TYPE OF INVESTOR	CORRECT FORM OF REGISTRATION	INCORRECT FORM OF REGISTRATION
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Mrs Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbed Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post Or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the names(s) of any joint Applicant(s) and/or account description using < > as indicated in designated spaces at section B on the Application.

Checklist

Have you

- ☐ Provided your TFN
- ☐ Signed this Application Form? If joint application, have all applicants sgined this form?
- ☐ Attached a cheque? Please note that the funds will be held in MAIL's applications account and interest accrued on funds held in the applications account will be paid to MAIL in its capacity as principal.

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Pin cheque here (do not staple)

MACQUARIE

MACQUARIE ALTERNATIVE INVESTMENTS LIMITED
Fortress Notes

Application Form

(Australian Residents Only)

Offer Open: 7 March 2005
Offer Close: 6 May 2005

Complete this form using BLACK INK and print well within the boxes in CAPITAL LETTERS. Mark answer boxes with a cross (X). Start at the left of each answer space and leave one box between words. This Application Form must not be distributed unless accompanied by the Prospectus dated 7 March 2005. If you have received an electronic copy of this Prospectus, Fortress will issue you with a paper copy on request, free of charge. Unless otherwise defined in this Application Form, capitalised terms have the same meaning as defined in Section 11 of this Prospectus.

Application Forms must be completed in accordance with the instructions in Section 12 of this Prospectus.

Investment Amount

A **A$**

(The minimum Subscription Amount must be a minimum of A$5,000, with additional amounts in multiples of A$1,000)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant – Surname/Company Name/Trustee Name

B

Title | First Name | Middle Name

Joint Applicant #2 – Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

Date of birth

Applicant | Joint Applicant #2 | Joint Applicant #3

TFN/ABN/Exemption Code

First Applicant | Joint Applicant #2 | Joint Applicant #3

C

TFN/ABN type – if NOT an individual, please mark the appropriate box | Company | Partnership | Trust | Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

D

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address (only for purpose of electronic communication of noteholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

E **X**

Please note: *that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Notes issued as a result of the Offer will be held on the issuer sponsored sub-register.*

Telephone Number where you can be Contacted during Business Hours | Contact Name (PRINT)

F

Cheques or bank drafts should be made payable to "Macquarie Alternative Investments Limited Note Offer" in Australian currency and crossed "Not Negotiable".

Cheque or bank draft Number | BSB | Account Number

G

LODGEMENT INSTRUCTIONS You must return your application so it is received before 5.00pm on 6 May 2005 to: ASX Perpetual Registrars Limited, Locked Bag A14, Sydney South, NSW, 1235 or hand deliver to Level 8, 580 George Street, Sydney NSW, 2000.

MFN IPO001

Payment of Interest

Please provide bank or other financial institution account details for crediting of Interest and redemption proceeds.

H

Account Name | Account number

Financial Institution | BSB Number (Bank/State/Branch)

I

Your signature(s)

I/we hereby apply for Fortress Notes and acknowledge and declare that:

- I/we have read and understood the Prospectus to which this Application Form relates;
- I/we agree to be bound by the terms of the Prospectus, the Series Trust Deed for the Fortress Notes and the terms and conditions of issue for the Macquarie Fortress Notes which may be amended from time to time;
- all the information in this Application Form is true and correct;
- each of Fortress and the Arranger can provide information on the status of my/our investment to my/our nominated financial adviser/broker or any associated Macquarie Group company;
- I/we agree to Fortress, the Arranger and Macquarie Bank Limited collecting, using and disclosing my/our personal information as set out in Section G of this Application Form;
- Fortress or the Arranger may be required to comply with the anti-money laundering laws in force in a number of jurisdictions (including the *Financial Transactions Reports Act 1988* (Cth)) and I/we undertake to provide Fortress or the Arranger as the case may be with such additional information or documentation as Fortress may request of me from time to time to ensure its compliance with such requirements;
- should I/we fail to provide Fortress or the Arranger with any information or documentation requested of me, my application for Notes may be refused, any Notes I/we hold may be compulsorily redeemed, and any disposal request by me/us may be delayed or refused and neither Fortress nor the Arranger will be liable for any loss arising as a result thereof;
- by my/our acquiring of Notes I/we represent, warrant and covenant that throughout the period of my/our holding of the Notes, I/we am/are not (i) an "employee benefit plan" within the meaning of 3(3) of the Employee Retirement Income Security Act of 1974, as amended, which is subject to Title I of ERISA, (ii) a "plan" covered by Section 4975 of the Internal Revenue Code of 1986, as amended or (iii) an entity deemed to hold "plan assets" within the meaning of 29 C.F.R.§2510.3-101 of any entity described in either paragraph (i) or (ii);
- Macquarie Bank Limited:
  - has not authorised or caused the issue of the Prospectus;
  - takes no responsibility for any part of the Prospectus other than the reference to its name in this Application Form; and
  - does not endorse or recommend investment under the Prospectus;
- I/we understand the risks associated with an investment in the Fortress Notes as they are outlined in the Prospectus;
- Fortress reserves the right to reject any application or to allocate to any applicant a lesser number of Notes than that applied for;
- application money for Fortress Notes which are not issued will be returned without interest when confirmations of Fortress Notes are sent to Applicants and all interest may be retained by MAIL;
- I/we further acknowledge that I/we am/are not aware of any liquidation or bankruptcy proceedings that have been commenced or are intended to be commenced by any person against me/us or which are intended or anticipated by me/us.
- Investments in Fortress Notes are not deposits with, or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 ("Macquarie Bank") or any other member company of the Macquarie Bank Group, including Macquarie Fortress Investments Limited in its own capacity. Fortress Notes are subject to investment risk, including possible delays in repayment and loss of income and principal invested.
- None of Macquarie Bank, Macquarie Fortress Investments Limited or any other member company of the Macquarie Bank Group or Permanent Trustee Company Limited guarantees any particular rate of return, or the performance of Fortress Notes, nor do they guarantee the repayment of capital from Fortress Notes.

Further, I/we hereby authorise Fortress to complete any blanks and make any amendments or additions with respect to any part of this Application Form on my/our behalf.

Individual	Joint Applicant #2	Joint Applicant #3
Sole Director and Sole Company Secretary	Director/Company Secretary	Director

J

Your privacy

Your privacy is important to us. Please read the important information below before signing this Application Form.

By completing this Application Form you agree to Macquarie Alternative Investments Limited, Macquarie Fortress Investments Limited, Macquarie Bank Limited and ASX Perpetual Registrars Limited ("we" or "us") collecting, holding and using personal information about you to process your Application, and administer and manage the products and services we provide to you. This includes monitoring, auditing and evaluating those products and services, modelling data, data testing, communicating with you and dealing with any complaints or enquiries.

You need not give us any of the personal information requested in the Application Form or in any other document or communication relating to the products or services we supply to you.

However, without this information, we may not be able to process your application or provide you with an appropriate level of service. If you do not give us your ABN/TFN, we may have to deduct tax at the highest rate from any payment made to you. The Australian Taxation Office matches information we are required to give it on payments made to you with the details you put on your tax return. You agree to allow us to disclose your personal information to other Macquarie Group companies as well as our external service providers, which provide services in connection with our products and services. If a financial adviser's name appears on the Application Form we will supply that financial adviser with information about your investments.

We may also disclose your personal information:

- if, acting in good faith, we believe that the law requires or permits us to do so;
- if you consent; or
- to any party proposing to acquire an interest in our business.

Unless you tick the box below, we and other companies in the Macquarie Group of companies may use your personal information to offer you products or services that may be of interest to you.

I do not consent to the use of my personal information for this purpose.

Note: under the *Privacy Act 1988*, you may request access to your personal information that we hold. You can contact us to make such a request or for any other reason relating to the privacy of your personal information by telephoning us on 1800 0800 33 or writing to:

Macquarie Alternative Investments Limited
1 Martin Place
Sydney NSW 2000

Macquarie's privacy policy and details on how you may access or update your personal information held by us can also be found on our website at www.macquarie.com.au.

MFN IPO002

ADVISER AND OFFICE USE ONLY

Dealer Group Name

Dealer Group Stamp

ABN

AFS Licence

Mailing Address

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Telephone Number

Broker/Adviser Name

Adviser Company Name

Broker/Adviser Address

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Contact Telephone Number – Work

Contact Number – Fax

Email address (only for purpose of electronic communication of noteholder information)

Broker/Adviser MAC (Macquarie Access Code)

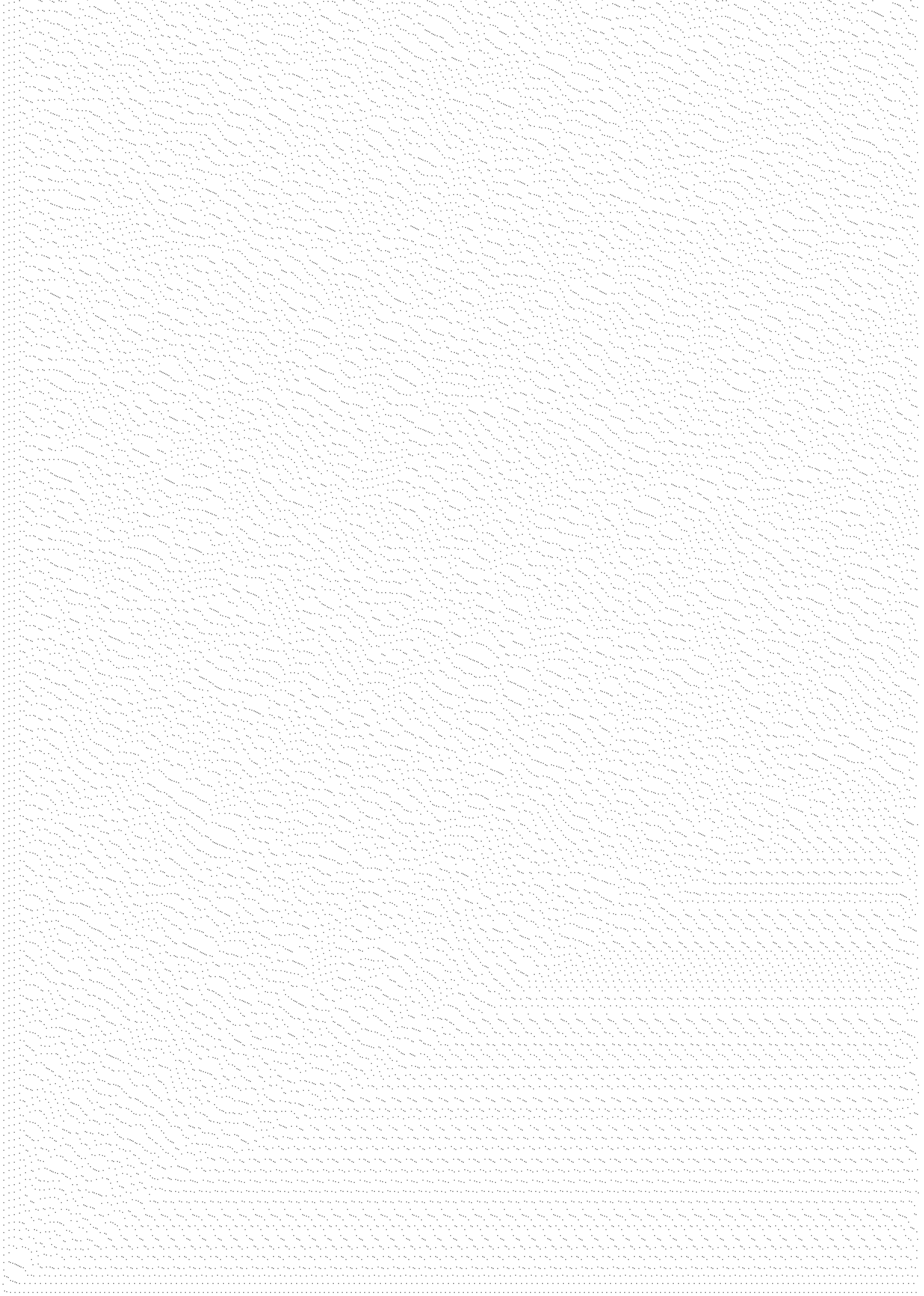
Rebate upfront commission to applicant?

Yes No

If yes, please specify portions here 100% or 50% or 0%

If you tick yes, but do not specify a portion, the application will be processed as rebating 100% of the upfront commision to the applicant and will be added to the applicants application money and so applied to acquire additional Fortress Notes.

If you do not tick a box, the application will be processed as **NOT** rebating the commission to the applicant.



Corporate Directory

Fortress Note Issuer
Macquarie Fortress Investments Limited ACN 113 113 214
as trustee of the Macquarie Fortress Australia Notes Trust
No. 1 Martin Place Sydney NSW 2000
Phone: 1800 0800 33

Directors Of Fortress
Peter Lucas
Charles Wheeler
Michael Price

Arranger
Macquarie Alternative Investments Ltd
ACN 086 159 060
No. 1 Martin Place Sydney NSW 2000
Phone: 1800 0800 33

Investigating Accountants
PricewaterhouseCoopers Securities Ltd
201 Sussex Street Sydney NSW 2000

Auditor
PricewaterhouseCoopers
201 Sussex Street Sydney NSW 2000

Australian Solicitors
Blake Dawson Waldron
Level 35 Grosvenor Place
225 George Street Sydney NSW 2000

Asset Manager
Four Corners Capital Management LLC
515 South Flower Street
Suite 4310
Los Angeles CA 90071
USA

Notes Trustee
Permanent Trustee Company Limited
35 Clarence Street
GPO Box 4270
Sydney
NSW 2000

1800 0800 33

Macquarie Fortress Investments Limited
Level 12
No.1 Martin Place
Sydney NSW 2000

fortress@macquarie.com.au

www.macquarie.com.au/fortressnotes

OFD6160 03/05