

**ECLIPSE PRUDENT MORTGAGE CORPORATION LIMITED**  
**SUPPLEMENTARY PDS TO THE PDS DATED 3<sup>RD</sup> JULY 2006**  
**DISCLOSURE OF BENCHMARKS**

<b>ASIC BENCHMARK</b>	<b>COMPLIANCE</b>	<b>HOW WE COMPLY</b>
<p><b>1 Liquidity:</b></p> <p><b>This addresses the scheme's ability to satisfy withdrawal requests and other operational commitments</b></p> <p>ASIC propose that entities disclose the following:</p> <ul style="list-style-type: none"> <li>• 3month Cash flow</li> <li>• Ensure that all times the scheme has cash to meet the projected needs</li> <li>• Disclose their policy on balancing the maturity of their assets and the maturity of the liabilities.</li> <li>• Undrawn amounts will not be included under credit facilities</li> </ul>	<p>The Benchmark is not applicable to EPMC</p>	<p>Eclipse Prudent Mortgage Fund is a Contributory Mortgage Scheme and the investors in a contributory mortgage will generally be repaid when the underlying mortgage investment is discharged and the loan funds repaid. As Investor's Funds are directly linked to the Syndicate investment and will be repaid on the maturity or discharge of the loan.</p> <p>The Responsible Entity, EPMC, maintains sufficient 3 month Cash flow and NTA and these are reviewed by the external Compliance Officer and Compliance Committee every quarter</p>
<p><b>2 Scheme Borrowing</b></p> <p><b>This addresses the scheme's policy on borrowing</b></p> <p>ASIC propose that entities disclose the following</p> <ul style="list-style-type: none"> <li>• For each borrowing that will mature in 5 years or less the amount owing and the maturity profile in increments of not more than 12 months</li> <li>• For debt that mature in more than 5 years the total amount owing</li> <li>• For each credit facility the undrawn amount and maturity profile in increments of no more than 12 months</li> <li>• Whether amounts to lenders or other creditors of the scheme rank ahead of an investor's interest</li> <li>• The purpose of which the funds have or will be borrowed including whether they will be used for distribution or withdrawal s</li> </ul>	<p>EPMC meets this Benchmark</p>	<p>The Fund or RE does not have any borrowings or credit facilities</p>

<p><b>3 Portfolio Diversification</b></p> <p><b>This addresses the scheme’s lending practices and portfolio risk</b></p> <p>ASIC propose that the scheme disclose the following:</p> <ul style="list-style-type: none"> <li>the key information about a schemes loan portfolio <ul style="list-style-type: none"> <li>Class of property eg commercial</li> <li>Location of property eg Metro</li> <li>List 10 largest borrowers</li> </ul> </li> <li>the schemed policy on lending funds or investing in unlisted mortgage schemes</li> </ul>	<p>This Benchmark is not applicable to EPMF</p>	<p>EPMF is a Contributory Mortgage Scheme with the particulars of each mortgage investment outlined in the relevant Syndicate Statement sent to each Investor prior to their Mortgage investment, and each Syndicate Statement discloses</p> <ul style="list-style-type: none"> <li>Total loan amount and Term</li> <li>Investor’s contribution</li> <li>Valuation details of the security property</li> <li>Loan to Value Ratio (LVR)</li> <li>Borrower(s) name</li> <li>Address and description of the security property</li> </ul> <p>EPMF only places investors funds into the individual mortgage on the receipt of the signed Syndicate Statement from the investor.</p> <p>Once an investment has been settled all investors are supplied with an Epitome of Mortgage as confirmation</p>
<p><b>4 Related Parties transactions</b></p> <p><b>This addresses the risks associated with related-party lending, investment and transactions</b></p> <p>ASIC propose that the scheme disclose the following</p> <ul style="list-style-type: none"> <li>How may loans, investments and transactions they have made to or with any related partes if the scheme and the value of those loans.</li> <li>Their policy of related party transactions including assessment and approval process for related party lending and arrangements to manager conflicts</li> <li>How the process and arrangements are monitored to ensure their policy is followed</li> </ul>	<p>EPMC meets this benchmark</p>	<p>The Fund does not lend to related parties</p> <p>The Responsible Entity is not permitted to lend to a related party and the Fund’s electronic register of all mortgages and investments monitors this to ensure strict compliance.</p> <p>The Responsible Entity maintains a related parties policy manual which lists the names of all persons or corporations considered to be a related party as specified by the Corporations Act Chapter 5C.7</p>

<p><b>5 Valuation Policy</b></p> <p><b>This addresses the scheme’s valuation practises</b></p> <p>ASIC propose the scheme disclose the following:</p> <ul style="list-style-type: none"> <li>• All property should be valued on a “as is” basis and for development property also on an “ as if completed” basis</li> <li>• Responsible entities should have a clear policy on how often they obtain valuations including how recent a valuation has to be when they make a new loan</li> <li>• Responsible entities should establish a panel of valuers and ensure that no one valuer conducts more that 1/3 of the RE valuation work for the scheme</li> </ul>	<p>EPMC meets this Benchmark</p>	<p>All valuations for the Scheme are completed on an “as is “ basis. Construction loans are valued on an “as is “ basis and “on completion basis” and during the course of the construction an “ as is “ valuation is completed at the time of each approved progress payment.</p> <p>Valuations and valuer details are disclose in each individual Syndicate Statement</p> <p>The Responsible Entity maintains a panel of valuers, and the panel is reviewed annually to ensure the valuers meet all requirements. All valuers must have a minium of 5 years experience and sufficient PI insurance to enable them to value for the Fund and the details be disclosed in the relevant Syndicate Statement.</p> <p>A valuer may not perform 3 consecutive valuations of the same property Refer to current PDS section 2.5</p> <p>The Compliance Plan Rule 8 outlines the Policy for valuations of the Scheme. A valuation is to be updated at least every 3 years or on the replacement of an Investor. No new investor may be placed into a Syndicate investment with a valuation older then 3 months No new loan may be made with a valuation older than 3 months.</p>
<p><b>6 Lending Principals</b></p> <p><b>This addresses the scheme’s property related lending principals.</b></p> <p>ASIC propose the scheme disclose the following</p> <ul style="list-style-type: none"> <li>• The scheme approach to loan to valuer ratios (LVR) is a indicator of how conservative or aggressive the lending practices are ASIC propose the RE should maintain LVR ratios</li> <li>• For construction and property development a LVR of 70% of “as if completed” valuation</li> <li>• For all other cases a LVR of 80% of a current valuation</li> </ul>	<p>EPMC meets this Benchmark</p>	<p>EPMC has a prudent approach to LVR levels for each mortgage investment. The acceptable LVR level is not to exceed 66.67%. Refer to Current PDS Section 2.5 (unless specifically waived by a professional investor who agrees to fund 2<sup>nd</sup> mortgages)</p> <p>It is the Lending Committee’s policy and practise to apply the following general LVR levels</p> <p>Residential and Commercial property LVR not to exceed 66.6%</p> <p>Construction = LVR limited to 55% of the “initial as is” and “on completion” value and up to 65% of the “as is” valuation during he course of the development. Construction funds are advanced by way of Progress payments, which have been verified by our external valuer. The total loan and current balance drawn to date together with the current valuation and on completion valuation is disclosed in the Progress Payment Syndicate Statement</p> <p>All LVR details are disclosed in the individual Syndicate Statements for the particular mortgage investment</p>

<p><b>7. Distribution practices</b></p> <p><b>This addresses the transparency of the scheme’s distribution practices which is a important indicator of the performance of the scheme</b></p> <p>ASIC propose the scheme disclose the follow</p> <ul style="list-style-type: none"> <li>• That were a RE expects a scheme to make distributions to members, the RE should disclose</li> <li>• The expected source for such distribution</li> <li>• Whether this differs from the source of previous distributions</li> <li>• If it is expected that distributions may not be solely sourced from income received in the relevant distribution period, the reasons for making those distributions</li> <li>• Whether distributions sourced other than from income are sustainable</li> </ul>	<p>EPMC meets this Benchmark</p>	<p>Distributions to the investors are only sourced from the income (interest) received on the individual Syndicate Mortgage. Refer to current PDS section 2.13</p> <p>Distribution or forecasted distribution amounts for each individual Syndicate mortgage is disclosed to investors in the Syndicate Statement and Epitome of Mortgage relating to that particular investment</p> <p>If the income (interest) in a particular Syndicate Mortgage is not received within the distribution period, the investors in that Syndicate are informed of the default by the borrower and the steps being undertaken by the Responsible Entity to rectify the default and collect outstanding interest (distributions)</p>
<p><b>8 Withdrawal arrangements</b></p> <p><b>This addresses the transparency of the responsible entity’s approach to withdrawals of investments</b></p> <p>ASIC propose the scheme disclose the following</p> <ul style="list-style-type: none"> <li>• That if investors are given the right to withdraw from a scheme, the responsible entity should clearly disclose</li> <li>• The maximum withdrawal period allowed under the constitution for the scheme, This disclosure should be at least as prominent as any shorter withdrawal period promoted to investors</li> <li>• Any significant risk factor or limitations that may impact on the ability of investors to withdraw form the scheme</li> <li>• The approach to rollovers, including whether the default is that investment in the scheme are automatically rolled over</li> </ul>	<p>EPMC meets with this Benchmark</p>	<p>EPMF is a direct mortgage investment scheme where each member of a Syndicate Mortgage has no right to withdraw from the agreed Syndicate except on the appointed date for termination of the Syndicate.</p> <p>All of the terms and conditions including the term of the Syndicate mortgage is disclosed in the individual Syndicate Statement and Epitome of Mortgage</p> <p>In the case of a partial repayment of a Syndicate mortgage by the mortgagor, the Responsible Entity has discretion to select particular investors to be repaid at the time of that partial repayment when there is no default by the borrower. In this instance the Company will contact you and you will have the option to nominate to be discharged early Ref to Current PDS section 2.13</p> <p>In the case where the mortgage is in default, all partial repayments will be distributed to the investors on a pro rata (pari pasu) basis.</p>