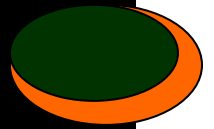


ECLIPSE



PRUDENT MORTGAGE FUND

ARSN 090 994 326

PRODUCT DISCLOSURE STATEMENT

**Issued and Professionally Managed
by Eclipse Prudent Mortgage Corporation Limited
ABN 54 089 265 270 AFSL 238546
3 July 2006**

	Page
Corporate Directory	ii
Summary of Fees	1
Introduction.....	2
Key Features	3
Section 1: Fund Management	
The Manager	5
Directors of the Manager	6
Custodial arrangements.....	6
Others involved in the Fund.....	6
Law Firm.....	6
Administrator	6
Compliance Committee	6
Auditors.....	7
Section 2: Structure of the Fund	
Overview of the Fund	8
Participation in the Fund.....	8
Borrowers and Lending.....	9
Investment Objective	9
Risk	9
Insurances	11
Investment of Application Money	11
Fund Property.....	11
Syndicate Property	12
Management of the Mortgage Investment	12
Accounts and Audit.....	12
Default Management.....	12
Rights of Members.....	14
Liability of Members	14
Reporting to Members	14
Continuous Disclosure	15

	Page
Documentation.....	15
Complaints	15
Taxation	16
Disclosure of Interests.....	16
Policy of Socially Responsible Lending	16
Privacy	16
Cooling Off	17
Summary of Loans Written by the Fund....	17
Six year Fund Growth.....	18
Section 3: Fees and other Costs	
Consumer Advisory Warning	19
Fees and other Costs	19
Example of annual fees and costs	23
Additional Explanation of Fees and Costs.	24
Section 4: Fund Documents	
The Constitution.....	28
The Compliance Plan.....	28
Legal Services Agreement	29
Administration Services Agreement	30
Section 5: Glossary of Terms	31
How to Invest in the Eclipse Prudent Mortgage Fund.....	33

Application Form

CORPORATE DIRECTORY

MANAGER

ECLIPSE PRUDENT MORTGAGE CORPORATION LIMITED

ABN 54 089 265 270

AFSL 237546

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MAIL

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DIRECTORS

Brett Cameron Scott

Rowan Wall

Genelle Clare Scott

MANAGING DIRECTOR

Brett Cameron Scott

MORTGAGE MANAGER

Valerie Bernice MacRae

AUDITOR OF MANAGER

Chris Allen

PKF Chartered Accountants

Suite 301, 304-318 Kingsway

CARINGBAH NSW 1495

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Fax: (02) 9526 2837

AUDITOR OF FUND AND COMPLIANCE PLAN

Gary Holbrook

PKF Chartered Accountants

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CARINGBAH NSW 2229

Telephone: 02 9525 0244

Facsimile: 02 9526 2837

LAWYERS FOR MANAGER

Brett Scott - Solicitor

Level 5, 30 Alfred Street

DX 3520

Milsons Point

and other selected panel solicitors

The issuer of interests in the Eclipse Prudent Mortgage Fund ARSN 090 994 326 (**Fund**) is Eclipse Prudent Mortgage Corporation Limited ABN 54 089 265 270 (**Manager**). Contact details for the Manager are set out on page - ii - of this PDS.

This product disclosure statement (**PDS**) was prepared by the Manager on and is dated 3 July 2006. This PDS has not been lodged with the Australian Securities and Investments Commission (**ASIC**) and is not required by the *Corporations Act 2001* to be lodged with ASIC. The Manager will notify ASIC that this PDS is **in use** in accordance with section 1015D of the *Corporations Act 2001*.

This PDS contains detailed information about the Fund, how it operates and how investments are made and managed in the Fund.

The details of an individual Mortgage Investment, including the property which is the subject of the mortgage, the investment interest rate, the term and the fees will be contained in a supplementary product disclosure statement (**Syndicate Statement**) that relates to the particular Mortgage Investment. The Syndicate Statement will be forwarded free of charge upon request to a person who expresses an interest in that particular Mortgage Investment.

An electronic version of this PDS may be accessed via the internet site of the Manager ([http://www.eclipse](http://www.eclipse.com.au)/<http://www.eclipsefinancial.com.au>). Any person accessing the internet site for the purpose of investing in the Fund must be an Australian resident and access it only from within Australia. Any Fund Member may obtain free of charge a printed copy of the PDS by contacting the Manager.

Warning: In preparing this PDS and any Syndicate Statement (which relates to the relevant Mortgage Investment) the Manager has not taken into account your investment objectives, financial situation or particular needs. Before making an investment decision on the basis of this PDS or any Syndicate Statement, you need to consider or obtain advice about whether this investment is suitable in the light of your personal circumstances. Prospective investors should read the PDS and the relevant Syndicate Statement in full and are encouraged to seek independent financial advice before deciding to invest in the Fund or a particular Mortgage Investment. Important investment considerations and risks are set out on pages 9 to 11 of this PDS. Investment in the Fund is subject to investment and other risks. These could result in delays in repayment of, or loss of, income or capital invested.

Our representatives are able to assist with factual information about investing in the Fund. However they are not in a position to advise on an investor's personal investments or to make any financial product recommendation.

Further information

If after reading this PDS you require further information about the Fund you should contact your adviser or the Manager. The contact details of the Manager are set out in the Corporate Directory on page -ii- of this PDS.

ECLIPSE

PRUDENT MORTGAGE FUND

“ IS DESIGNED TO PROVIDE INVESTORS WITH A REGULAR INCOME FROM PRUDENT MORTGAGE INVESTMENTS WHERE THE INVESTOR ON BECOMING A MEMBER OF THE FUND HAS THE FINAL SAY OR SEAL OF APPROVAL ON THE TERMS OF THE SECURITY AND LOAN PRIOR TO SETTLEMENT OF THE RELEVANT MORTGAGE”

“ECLIPSE HAS THE NECESSARY SKILLS AS THE LICENSED PROFESSIONAL MORTGAGE MANAGER TO PROPERLY ASSESS THE LOAN, EVALUATE THE PROPERTY, NEGOTIATE THE TERMS, ARRANGE THE VALUATION AND SECURITY, REGISTER THE MORTGAGE, AND ADMINISTER THE INTEREST PAYMENTS AND PRINCIPAL REPAYMENT.”

SUMMARY OF FEES

1. Absolutely **NO** entry fees to the Fund.
2. **No** management fees for a Mortgage Investment unless stipulated in a Syndicate Statement.
3. **No** penalty or exit fees on maturity of a Mortgage Investment.
4. Minimal transfer fee on early repayment of your investment.
5. **No** brokerage or commission is payable by Members, but if payable to financial advisers on investment referrals, it is paid separately by the Manager from its own fees.
6. **No** costs are payable by Members for the establishment of the Fund and issue of this PDS for membership of the Fund or any Syndicate Statement.

Further details as to fees are set out on pages 15-26 of this PDS.

APPLICATION FORMS ARE AT THE BACK OF THIS PDS

INTRODUCTION

The purpose of this PDS is to provide you with an opportunity to become a Member of the Fund and invest in mortgages over property, as a Member of a Syndicate, offered by the Manager through a Syndicate Statement that is a supplement to this PDS.

The Eclipse Prudent Mortgage Fund (**Fund**) has been designed to provide investors with a regular income (secured by a mortgage) that is expected to be higher than cash management trusts, or other short-term fixed interest securities, bank bills or term deposits and even some forms of pooled mortgage trusts.

In achieving this objective, the Manager must identify investment opportunities and operate within the prudent and strict set of investment, security and valuation guidelines set out in this PDS, the Syndicate Statement, and both the Fund's Constitution and Compliance Plan. The purpose of these guidelines is to ensure the Fund provides Members with mortgages that have credentials and characteristics to ensure the investment has ongoing and adequate security.

The Fund does not operate as a pooled fund, debenture trust or unit trust where the Manager is left with the responsibility and freedom to determine the form of the investment. **The Member or investor in the Fund has the final say on every Mortgage Investment offered to the Member by the Manager.**

The Manager is registered as a responsible entity and has the ability, history, administration systems and computer software systems to ensure it is appropriate and qualified for the mortgage investment industry. The Manager has been granted an Australian financial services license by ASIC and is operating in accordance with the authorisations of this licence and the provisions of the *Corporations Act 2001*.

The Manager undertakes to carry on and conduct its business for and on behalf of the Members in a prudent and efficient manner and keep proper records of its dealings. In doing so, the Manager has adopted a Compliance Plan for the Fund and a programme consisting of Board policies, consistent with good corporate governance, guidelines, procedures, structures, and systems designed to ensure compliance with all laws, industry standards and ASIC policies that are relevant to both the business operations of the Manager and the operation of the Fund.

KEY FEATURES

The Manager administers and manages “prudent” Mortgage Investments offered to Members through Syndicate Statements. The Manager is a special purpose company established by the principals who have had many years of experience in raising money for investment and making appropriate and sound mortgage investments.

MORTGAGE PARAMETERS

The provision of “prudent” Mortgage Investments secured over improved residential, commercial, industrial properties, vacant land, and select development and construction projects, located in capital cities and large regional centres in NSW. If the property is located outside NSW, or the Manager recommends other types of property as security, this will be stated in the relevant Syndicate Statement.

The final decision to accept any offered mortgage property is with the Member.

MONTHLY INCOME

Interest is payable on the initial investment of Members’ funds while deposited in the Fund Account (an “at call” cash management account) pending settlement of the relevant Mortgage Investment. The interest rate changes from time to time in line with changes in official interest rates. Investors should contact the Manager to obtain the current rate.

Interest is payable by the borrower on the Mortgage Investment after the loan is settled.

All interest is payable monthly (or quarterly on approval) in arrears by electronic transfer to your selected bank account or other facility capable of receiving an electronic transfer.

MINIMUM INVESTMENT

\$10,000.00

INTEREST RATE

The interest rate is fixed for the term of the Mortgage Investment and is specified in the relevant Syndicate Statement.

The current rate may be obtained by contacting the Manager, but as at 31 May 2006 the rate was between 7.25% and 8.25% depending on the type of loan, security and other parameters.

Members also receive any additional interest collected by the Manager on default or late payment of interest and/or the principal by the borrower, usually being at a rate 3.0% above the prompt payment rate.

Members also receive any additional interest collected by the Manager on early termination or repayment of the loan by the borrower, and usually being one (1) month’s additional interest at the prompt payment interest rate.

These additional payments may provide an even greater annual return to Members than originally quoted in the Syndicate Statement.

TERM OF INVESTMENT

The duration of a particular Mortgage Investment is specified in the relevant Syndicate Statement. However, it is generally for one (1) year.

MORTGAGE MARKET

The Manager does **not** provide traditional long-term loans for home buyers. The Manager specialises in lending to investors, business people, professionals, and select specialist developers, and joint venturers, who prefer to borrow for short terms or independently of their bankers and mainstream lenders who quite often apply different lending and management criteria to investment and commercial loans structured for short term interest only facilities.

More importantly, borrowers deal and communicate direct with the Manager and its officers on a “person to person” basis in an environment where prompt decisions are made due to the personal nature of the relationship.

LOAN TO VALUE RATIO (LVR)

The LVR of any particular Mortgage Investment is specified in the relevant Syndicate Statement. The maximum LVR on any security must not exceed **66.67%** of its independent value, (unless otherwise provided in the Syndicate Statement,) but for many types of loans, the Syndicate Statement will disclose a lower LVR due to the “best practice” guidelines and prudent procedures adopted by the Manager.

For construction loans, the LVR is **not** based upon future end values, but is strictly limited to 66.67% of the “as is” or current value of the security at the commencement of the loan and at all times during the construction programme. Usually the LVR at commencement of the loan will be below 50% of the “as is” value and will not be greater than 55% of the completed value (unless otherwise provided in the Syndicate Statement).

During construction, the LVR will be calculated and based on the cost of works then undertaken and completed to

the date of certification and the then remaining cost to complete and the consequential reduction in risk as assessed by the Valuer and/or Quantity Surveyor. The Manager applies strict procedures and guidelines for progress payments and assesses the risk and determine an appropriate LVR that is prudent for each individual loan and project at all times during the loan.

AFTER YOU INVEST

You shall receive:

- an Epitome (summary of your Mortgage Investment);
- a quarterly interest remittance advice confirming the interest paid monthly (or quarterly, on approval) to your account;
- an annual interest statement for your tax return; and
- an invitation to roll-over or reinvest your investment at the current rate at the time of discharge.

SECTION 1 : FUND MANAGEMENT

1.1 The Manager

The Eclipse Prudent Mortgage Fund is a registered managed investment scheme for the purposes of Chapter 5C of the *Corporations Act 2001*. Eclipse Prudent Mortgage Corporation Limited is the responsible entity (**Manager**) of the Fund. The Manager complies with stringent net tangible asset adequacy requirements set out in the conditions of its Australian financial services licence which allow the Manager to be a self custodian of Fund assets.

Directors of the Manager

Brett Scott Managing Director

A practising Solicitor, and a former President of the Mortgage Lawyers Association (NSW) Inc. Brett was previously a partner of Donovan Oates Hannaford, lawyers in Port Macquarie and a consultant to Deloitte Touche Tohmatsu, and Deloitte Financial Services Ltd in placing their substantial number of clients in prudent mortgages.

Brett has played a leading role in the advancement of Solicitors' mortgage practices under the new laws and regulations and was principally involved in the preparation and establishment of the Prudential Lending Manual for use by Solicitors in NSW.

Brett holds separate degrees in Jurisprudence and Law from the University of NSW.

Rowan Wall Director

Rowan is the principal of the Eclipse Financial Group and a former full equity partner at Deloitte Touche Tohmatsu and Director of Deloitte Financial Services Ltd.

Rowan advises senior executives of many Australian companies, such as Aon, Axiom, Brambles and is an acknowledged expert and authority on superannuation plans, strategic wealth and tax planning and on how to structure investments. His opinions are regularly covered in mass media publications as well as by various ABC radio stations for whom he has previously provided weekly programmes.

Rowan holds a Degree in Economics from the University of Sydney, a Diploma of Education, a Diploma of Superannuation Management from Macquarie University, an Advanced Certificate in Real Estate from NSW TAFE, and a Certificate of Distinction from the Australian Investment Planners Association and is currently completing a Diploma of Financial Planning. Rowan also holds a Real Estate licence, is a member of the Financial Planners Association and an Affiliate of the Institute of Chartered Accountants.

Nellie Scott Director

Nellie has over 27 years' experience in business administration and management and manages human resources in both the Sydney and Port Macquarie offices of the Manager.

Custodial arrangements

The Manager meets the net tangible assets requirements to allow it to hold as custodian all assets belonging to the Fund. The Manager's principal custodial roles are to:

- receive and hold all application moneys and repaid loan moneys until they are disbursed and pay proceeds to mortgage securities as provided for in the relevant Syndicate Statement;
- receive income earned on mortgage securities and distribute to Members of the relevant Syndicate;
- retain in safe custody all fund assets and title and other securities for Members; and
- execute any necessary documents as Attorney as provided for in the Constitution.

1.2 Others involved in the Fund

Law Firm

The Manager has engaged Brett Scott - Solicitor to provide legal services to the Manager under the Legal Services Agreement, described in Section 3 of this PDS. The Manager has also appointed other law firms to its panel of Solicitors to provide legal services with respect to mortgages and any enforcement proceedings when appropriate.

Administrator

The Manager has also engaged Eclipse Administration Pty Limited ACN 091 212 636 and Cephas Pty Ltd ACN 002 593 526 to provide to it administration services in relation to its management of the Fund under the Administration Services Agreements, described in Section 3 of this PDS. Brett Scott and Nellie Scott are directors of Cephas Pty Ltd ACN 002 593 526. Brett Scott and Rowan Wall are directors of Eclipse Administration Pty Ltd ACN 091 212 636.

Compliance Committee

The Manager has appointed a Compliance Committee to oversee compliance by the Manager with the requirements of the *Corporations Act 2001*, the Constitution and the Fund's Compliance Plan. The role of the Compliance Committee is to:

- monitor the Manager's compliance with the Compliance Plan and report to the Manager;
- report to the Manager any breach of the *Corporations Act 2001* or the Constitution;

- report to ASIC where the Compliance Committee forms the view that the Manager is not taking steps to remedy matters reported to it by the Committee; and
- regularly review the adequacy of the plan and where necessary recommend changes to the plan.

The current Members of the Compliance Committee are:

1. Brett Cameron Scott (internal)
2. James Sofiak (external)
3. David Watson (external)

- **James (Jim) Sofiak** - is a Certified Practising Accountant, Justice of the Peace, and holds specialist fraud qualifications from Charles Sturt University and the University of Canberra. Mr Sofiak has 18 years' experience as a trust account inspector and an investigator with the New South Wales Law Society and was a specialist investigator with the predecessor regulator to ASIC for 18 years. He has personally researched and prepared fraud related reports and was a financial investigator for both the Royal Commission into the Nugan Hand Bank and the Royal Commission into Drug Trafficking.

Mr Sofiak brings to the Compliance Committee his proven investigative and detection skills, together with his administration and systems compliance experience.

- **David Watson** – is an associate director of the Insolvency Division of Bentleys MRI, an Australian wide accounting firm. David is a Chartered Accountant, Certified Practising Accountant, Official Liquidator, Registered Liquidator, Registered Company Auditor and Trustee in Bankruptcy. Mr Watson was employed by NSW Corporate Affairs Commission in its Investigation and Enforcement areas and reached the levels of Director of Operations and Assistant Commissioner and has been engaged by ASIC to review the conduct of insolvency administrations of other practitioners.

The Manager has appointed Messrs Sofiak and Watson to the Compliance Committee to introduce and bring to the Fund an expertise and professional approach to the requirements of the *Corporations Act 2001* to ensure there is appropriate external surveillance and monitoring of the Manager and its officers and employees.

Auditors

The Manager has appointed Chris Allen of PKF as auditor of the Manager and Gary Holbrook of PKF, as auditor of the Compliance Plan and the Fund.

SECTION 2 : STRUCTURE OF THE FUND

2.1 Overview of the Fund

The Eclipse Prudent Mortgage Fund operates as an umbrella mortgage fund under which an investor will become a Member of the Fund and may then participate in one or more Mortgage Investment Syndicates selected and approved by the Member under the relevant Syndicate Statement applying to that particular Mortgage Investment. Each Syndicate Statement is issued as a supplement to this PDS.

The Manager will provide the following details and particulars in a Syndicate Statement to enable the Members to make a considered decision to proceed or not to proceed with the submitted Mortgage Investment:

- **security to be provided by the borrower**
- **details of the Valuation Report (or summary)**
- **total amount of the loan**
- **term of the Syndicate Mortgage Investment**
- **rate of interest (for prompt and default payment)**
- **particulars of the borrower, and the purpose of the loan**
- **fees payable to the Manager and other persons**
- **other matters of relevance to the Mortgage Investment.**

The Manager will complete the Syndicate Mortgage Investment when sufficient applications are received from Members and accepted by the Manager.

A person seeking to make an investment through the Fund will participate in the Fund in 2 stages:

2.2 Participation in the Fund

Stage 1 - Membership of the Fund

A person who wishes to become a Member of the Fund must lodge an application form attached to this PDS and pay the application money. All applications for membership of the Fund must be dealt with in accordance with the Constitution.

When the application is accepted, the person becomes a Member of the Fund and the application money is deposited in the Fund Account.

Stage 2 - Membership of the Syndicate

A Member of the Fund becomes a Member of a Syndicate by lodging with the Manager a signed and completed Syndicate Statement relevant to the Mortgage Investment that is described in the Syndicate Statement.

Each Mortgage Investment acquired under the umbrella of the Fund is held by a Syndicate of those Members who apply to have their application money invested in that particular Mortgage Investment.

Each Syndicate Member is entitled to be registered on the title to the mortgage, or to have it registered in the name of a nominee, as provided in the Syndicate Statement. The Syndicate Members hold the legal and beneficial interest in the Syndicate Mortgage Investment as tenants in common. The Mortgage Investment is an asset of the Syndicate Members, **not** an asset of the Fund.

The number of Syndicates established under the Fund will be equal to the number of Mortgage Investments. Each Mortgage Investment is legally separate from all others in the Fund and if a loan is in default, it is not shared by all Members in the Fund but only those Members in the relevant Syndicate Mortgage Investment in default.

2.3 Borrowers and Lending

Persons seeking to borrow money will, from time to time, approach the Manager and submit application to the Manager for funding. Such applications will then be submitted to the Loan Approval Committee of the Manager for consideration and possible approval.

The Loan Approval Committee has the primary responsibility to ensure that:

- a credit check is undertaken in relation to the borrower;
- the type, quality and value of the security provided complies with the Constitution;
- legal title to the Mortgage Investment is vested in the Syndicate Members (or their nominee provided in the Syndicate Statement); and
- the proposed Mortgage Investment is a **prudent mortgage**.

Subject to approval, the Mortgage Investment will be offered to Members of the Fund under the applicable Syndicate Statement.

2.4 Investment Objective

The Manager seeks to provide a fixed income stream for a fixed term with minimal capital risk to investors. To achieve this objective it lends to borrowers with the loan secured by a 1st registered mortgage over the relevant property. (In some instances the loan may be secured by a 2nd registered mortgage particulars of which will be disclosed to an experienced 2nd mortgage investor in the relevant Syndicate Statement which will also set out any additional risks that apply to an investment in a 2nd registered mortgage). Interest, calculated at a fixed rate disclosed in the Syndicate Statement, is payable to the Manager by the borrower monthly in arrears. Mortgage interest is credited to the Mortgage Interest Account held by the Manager for Members of the relevant Syndicate.

2.5 Risk

A Syndicate Member holds with other members of that Syndicate, a registered mortgage over the mortgaged property and, generally, there is little capital risk to the Syndicate Member. However, if a borrower defaults on the payment of

interest payable under the Mortgage Investment, or fails to pay the principal when due under the Mortgage Investment and the Members so direct, the Manager will enforce the Mortgage Investment. Members of the Syndicate Mortgage Investment in default could incur a capital loss if the property value had significantly decreased since the date of the initial valuation of the property taken for the purposes of making the Mortgage Investment.

This risk is minimised by the requirement that the loan amount does not exceed 66.67% of the independent value of the Mortgage Property at the valuation date for the purpose of making the Mortgage Investment, unless otherwise provided in the relevant Syndicate Statement.

Members should acknowledge and be aware of the following risks:

- a decline in the value of the mortgage property,
- interest rates from other forms of investments may increase during the term depending on the interest rate environment at the time, and
- certain factors may occur beyond the control of the Manager, such as a change in the financial circumstance of the borrower, government policy, inflation or economic conditions.

While acknowledging there is some risks associated in investing in mortgages, the Manager uses prudent and “best practice” guidelines and procedures to reduce those risks to investors by:

- assessing and undertaking appropriate aspects of due diligence of the financial assets and income of the borrower, and any guarantor, and the income produced by the property and any other relevant matter;
- valuing the proposed mortgage property by an independent and experienced qualified panel valuer, with satisfactory professional indemnity insurance, or in the case of certain construction loans, an independent and experienced qualified Quantity Surveyor. Admission to the panel of the Manager is on the basis of a minimum 5 years’ experience with particular categories of property and membership of a professional body. A valuation must not be more than 6 months old from the date on which application moneys are contributed to a Mortgage Investment by making loans to the relevant borrower and the valuer must not have undertaken more than 3 consecutive prior valuations of the security property (other than for a construction loan). Detailed instructions to a valuer are specific to the property type and require particular valuation criteria to be met. A current Valuer General’s assessment may be accepted where the loan to value ratio (**LVR**) does not exceed 40%. If so, this will be stated in the relevant Syndicate Statement;
- depending on the nature of the security property, having a representative of the Manager undertake a personal inspection of the property;

- ensuring the mortgage property is suitable and marketable security. Consequently certain property types do not normally provide adequate security for private mortgages, such as premises used for specialist purposes, amusement parks, service stations, hotels, restaurants, caravan parks and farming properties;
- adopting a LVR relevant to all of the above criteria that in many instances may be less or much less than the maximum of 66.67% permitted by the Constitution (unless, otherwise provided in the relevant Syndicate Statement) (see also page 4 for further details); and
- using state of the art computer systems to monitor and manage the mortgage, interest collection and distribution and to collate information for reviewing valuations, the currency of panel valuer's insurances, the currency of building insurances and general market trends.

Neither the Manager, its Directors nor any of the parties providing services to the Fund guarantees the investment.

2.6 Insurances

The Manager has procedures in place to ensure improvements on any mortgaged property are insured for their replacement value at the commencement of the loan and regularly monitors the expiry of policies. In the event that a borrower fails to provide evidence of renewal of an insurance policy effective when the loan commenced, the Manager takes action on the borrower's behalf to ensure that a replacement policy is taken out on the property.

2.7 Investment of Application Money

The application money paid by a Member of the Fund must be applied to that Mortgage Investment selected by the Member under the relevant Syndicate Statement, within 60 days after the receipt of the application money by the Manager. A Member's application money becomes an asset of the Fund for the period between its receipt and its application to the chosen Mortgage Investment. It is held on trust for all Members of the Fund by the Manager.

The Manager may invest the application money in investments authorised by the Constitution prior to the money being applied to the Mortgage Investment. The Member is entitled to interest on the application money held for the Member in the application moneys account (after deduction of the Manager's fee and any bank account keeping fees payable by the Manager).

2.8 Fund Property

The assets of the Fund comprise:

- the application money of Members of the Fund, pending investment in the relevant Mortgage Investment;

- income derived from the investment of application moneys, as permitted under the Fund Constitution, not applied to a Mortgage Investment;
- income from a Mortgage Investment.

All Fund assets are held on trust for Members by the Manager in accordance with the *Corporations Act 2001* and the Constitution. The Manager is responsible for identifying the interest of each Member in the Fund assets.

Fund assets being cash are held in the one account for the Fund, comprising the Fund Account and the Mortgage Interest Account with the Commonwealth Bank of Australia.

2.9 Syndicate Property

Property of a Syndicate, being the Mortgage Investment, is owned by the Members of the Syndicate and is not held by the Manager on trust for Members.

The Manager is authorised by Syndicate Members to hold the title documents relating to the mortgage property in respect of which the Mortgage Investment is made in safe custody with the nominee or the solicitors for the Syndicate as specified in the applicable Syndicate Statement.

2.10 Management of the Mortgage Investment

On becoming a Member of a Syndicate, each Member appoints and authorises the Manager to manage the Member's interest in the Mortgage Investment and the Syndicate as the agent for the Member. That appointment cannot be revoked by the Member but will cease on the termination of the Syndicate.

The Manager must manage the Syndicate in accordance with the requirements of the Constitution, this PDS, the relevant Syndicate Statement, and the *Corporations Act 2001*.

2.11 Accounts and Audit

The Manager must establish and maintain proper books of accounts which accurately record all receipts and outgoings in relation to the Fund and the assets. The accounts shall be accessible to the Fund Auditor who must audit the accounts at the times and as required by the *Corporations Act 2001* and the cost thereof shall be paid by the Manager but may be paid out of the assets.

2.12 Default Management

On occasions borrowers may be late in paying interest or in meeting their repayment obligations, or may be unable to do. The Manager employs discretion in deciding the action to be taken and the timetable and appropriate penalties to apply to a default situation and has a well-developed policy of pursuing defaults and arrears and personnel dedicated for instituting appropriate recovery action, including the following:

- monitoring all due payment dates and applying and billing any overdue payments;
- following up overdue payments by telephone (and usually within 7 business days after the due payment date);
- following up continuing overdue payments in writing (and usually within 14 business days after the due payment date);
- notifying Members of the relevant Syndicate within 21 business days after the default occurs;
- issuing instructions to the solicitors to the Fund to prepare and issue default notices if payments remain in arrears (and usually within 21 business days from the due payment date);
- instituting legal proceedings for possession of the security property if the borrower fails to comply with the issued default notice (and usually within 3 business days after the default notice period expires); and
- selling the security property once a possession order has been obtained.

At 10 June 2006 four (4) loans were in default and involved recovery action. Of these default loans, two (2) loans are due to be sold when the borrower's estate is finalised and based upon initial enquiries the sale prices to be achieved should be high enough to ensure payment in full, particularly as the loan to value ratio exposure is low. For one (1) other loan, the Manager has no reason to expect that full recovery will not be made when the property is auctioned on 20 July 2006. For the one (1) other loan, the Manager expects the property to be sold and the balance due to provide full recovery is covered by a current insurance policy pay-out for fire damage. Based upon sales prices being negotiated or expected, the Manager has no reason to expect that full recovery will not be made in respect to each of these four (4) defaulting loans. At 10 June 2006 a further eleven (11) loans were in default for non-payment of interest within 30 days of their due date and appropriate action was to be undertaken. In some cases the borrower has arranged to repay the loan and discharge the mortgage in the month of June, or in some cases, shortly thereafter. These fifteen (15) default loans represent approximately 4.46% of the total number of 336 loans. In addition, a number of loans had reached their repayment date and the borrower had paid all interest due on time, and the Manager is either finalising the variation of the mortgage to extend the term or finalising an increase of the loan amount and is awaiting receipt of an up to date valuation, or repayment is expected shortly. In these cases, interest payments have continued to be made, and any applicable penalty will be collected where required, and the mortgage securities remain in place.

2.13 Rights of Members

An interest in the Fund entitles a Member to:

- attend and vote at meetings of Members. On a show of hands, a Member has 1 vote. On a poll for the purpose of a written resolution, a Member has 1 vote for each \$100 paid by way of Application Money;
- receive the Member's proportionate share of the net income (if any) of the Fund Account after deduction of fees to which the Manager is entitled;
- receive the Member's proportionate share of the net income of the Mortgage Interest Account;
- participate with other Members of a Syndicate in the division of proceeds of the realisation or full repayment of any Mortgage Investment as a tenant in common with each other Member of the Syndicate, subject in respect of a partial repayment to a discretion in the Manager to select particular investors to be repaid on a partial repayment when there is no default by the borrower, but strictly in accordance with or pursuant to the terms set out in the relevant Syndicate Statement previously signed and approved by the Members in that Syndicate; and
- participate in the division of any surplus of assets or profits of the Fund if the Fund is terminated.

A Member has no right to withdraw from the Fund, or the Syndicate of which it is a member, except on the termination of the Fund or of the Syndicate, as the case may be. However, a Member may transfer its interest to another person, with the approval of the Manager.

2.14 Liability of Members

Other than tax liability arising from a Member's action or inaction, or liability for payments due and payable to the Manager, the liability of a Member under the Constitution is limited to the amount paid as its application money.

The Member need not indemnify the Manager if there is a deficiency in the assets and is not liable for the claim of any creditor of the Manager in relation to the Fund.

Where the Manager acts as the attorney for the Member, the Member must keep the Manager indemnified against any liability, loss, cost, expense or damage arising from the lawful exercise by the Manager of its power as attorney for the Member.

2.15 Reporting to Members

In addition to all of the information that is contained in a Syndicate Statement, the Manager will provide the Members of a Syndicate Mortgage Investment with further details within one (1) month from the date of settlement of the Syndicate Mortgage Investment or any variation to the initial Mortgage Investment, in the form of an Epitome of Mortgage. The Manager will also provide the Members of any Syndicate Mortgage Investment in a timely manner with particulars of any

default, breach or other relevant fact that a Member would reasonably expect to be informed about. The Manager will also advise the Members of the relevant Syndicate Mortgage Investment of the action it takes, as their agent, in enforcing the terms of the mortgage and if necessary the realisation of the security.

The Manager will also provide Members with sufficient particulars on interest income earned in a financial year or applicable to any investment to enable the Member to disclose such information in the Member's tax return or financial planning reports.

The Manager provides newsletters or information bulletins to Members on a periodic basis on matters of general interest relevant to the Fund and mortgage investments or on market and economic conditions, or as may be required under the Constitution or the *Corporations Act 2001*.

A Member may check the status of its investment at any time during business hours by contacting the Manager.

2.16 Continuous Disclosure

The Fund is a disclosing entity under the *Corporations Act* and it is subject to regular reporting and continuous disclosure obligations under the *Corporations Act 2001*. Copies of the annual report most recently lodged with ASIC by the Fund, any half yearly financial report lodged with ASIC before the date of this PDS and any continuous disclosure notices given by the Fund may be obtained from or inspected at any ASIC office, or obtained from the Manager who already provides Members with all appropriate forms and documents as required by ASIC.

2.17 Documentation

The Fund Constitution and Compliance Plan are public documents. The Manager will provide a copy to a Member on request, free of charge.

A copy of the Fund's Constitution and Compliance Plan may be acquired from ASIC.

2.18 Complaints

The Manager seeks to deliver to investors an optimal level of client service and is committed to handling any complaint quickly, fairly and in strictest confidence. If a member does have a complaint regarding any aspect of the Manager's services the member should contact the Manager and put the complaint in writing. The contact details for the Manager appears in the Corporate Directory on page ii. Any such complaint is handled in accordance with the internal policy and procedures the manager has adopted, and a copy is obtainable from the Manager. If the complaint is not resolved to the member's satisfaction, the member has a right to refer the matter to an external complaints resolution scheme. The Manager is a member of the Financial Industry Complaints Scheme which can be contacted on 1800 335 405. The Member may also contact ASIC on 1300 780 885. A copy of the Manager's internal complaints handling policy may be obtained from the Manager.

2.19 Taxation

Members will be assessable on their income received from the Mortgage Investment and the Fund. If the Manager incurs GST in relation to the management of the Fund, investors may bear any GST related increase in management costs. Members must obtain their own taxation advice on any of these issues and as to their own taxation position.

2.20 Disclosure of Interests

The Manager receives remuneration in accordance with the Constitution, this PDS and each Syndicate Statement. Brett Scott will be paid professional fees for any legal services he provides to the Manager and Eclipse Administration Pty Limited ACN 091 212 636 and Cephass Pty Ltd ACN 002 593 526 will be paid fees by the Manager and not the Fund, for the services it provides to the Manager.

The Manager in its own capacity, and not in its capacity as Manager, and associated or related companies to the Directors of the Manager or persons related to or being a Director of the Manager, may from time to time, invest in any Mortgage Investment.

2.21 Policy of Socially Responsible Lending

Through its Risk Management Programme, the Manager makes every reasonable effort to conduct its affairs and to deal with Members and their investments and with borrowers and their loan applications in an ethical manner and to comply with all relevant legal requirements and mandatory planning and environmental standards and codes. The Manager does not claim to give additional weight to labour standards, environmental, social or ethical considerations when selecting, retaining or realising a Mortgage Investment.

2.22 Privacy

By applying to invest in the Fund or a Syndicate, the Member consents to information about them being used by the Manager for the purposes for which it was provided, the provision of investment services by the Manager. The Manager is committed to protecting the privacy of Members. The Manager prescribes to the principles of the *Privacy Act 1988 (Privacy Act)* and any amendments of it. The Manager, in its capacity as the responsible entity of the Fund, has a Privacy Policy and a copy is available from the Manager. The Privacy Act regulates, among other things, the collection, storage, quality, use and disclosure of personal information and the Federal Privacy Commissioner governs the Act.

You may request access to the information held about you and your investment and you are asked to advise the manager of any changes to such information you have provided.

The Manager may disclose your information (or parts of it) to government agencies who may lawfully request it, but only when we are required by law to do so. Information may also be disclosed to external parties on your behalf, such as your financial adviser, unless you have instructed us in writing to do otherwise.

The Manager also discloses your personal information to its service providers (lawyers and others) to enable the printing, distribution and administration of documents relevant to the Mortgage Investment.

2.23 Cooling Off

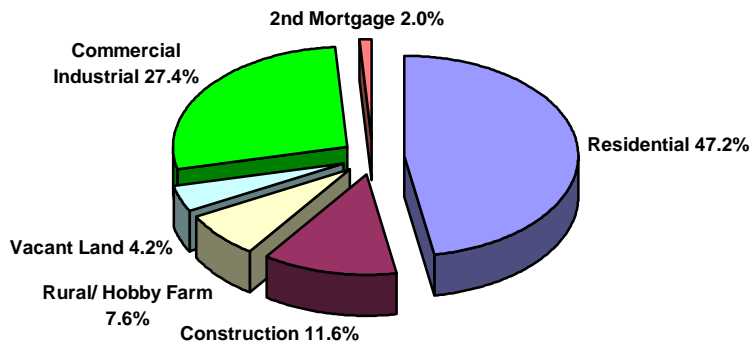
Under the *Corporations Act 2001* retail investors, as defined by the legislation, have the right to a “cooling off” period of 14 days during which they may request the repayment of their application moneys, unless those provisions do not apply. Investors in the Fund should note that the “cooling off” rights DO NOT apply if the managed investment scheme is not a liquid scheme, as defined in the *Corporations Act 2001*, at the relevant time. The Fund is not a liquid scheme and accordingly investors do NOT have any “cooling off” rights.

2.24 Summary of current loans written and managed for Eclipse Prudent Mortgage Fund as at 31 May 2006

Type	\$ amount	No. of loans	% of loan book
Commercial/Industrial	39,364,000	84	27.4
Vacant Land	5,988,000	21	4.2
Rural/ Hobby farm	10,931,500	37	7.6
2 nd Mortgage	2,858,500	19	2.0
Construction	16,668,000	18	11.6
Residential	<u>67,877,300</u>	<u>157</u>	<u>47.2</u>
Total	<u>\$143,687,300</u>	336	100.00

Total Number of loans/mortgages	336
Total Funds invested in mortgages	\$143,687,300.00
Balance in Trust account as at 31 May 2006	\$25,022,733.65
Total Funds under Management	<u>\$168,710,033.65</u>
Average Loan amount as at 31 May 2006	\$427,640.77

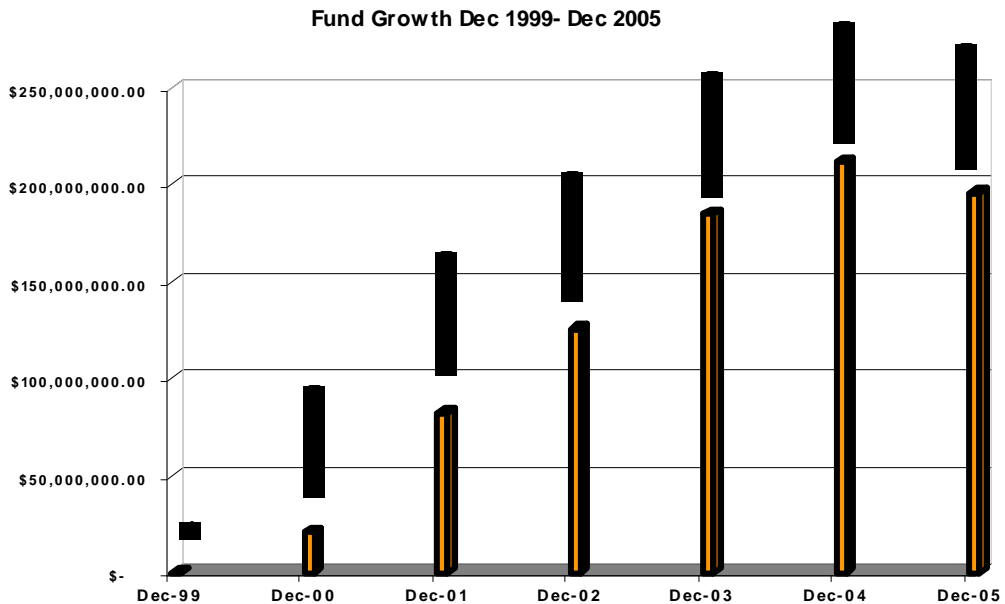
Loan % by Security Type 2006



All except two (2) loans (less than 1.0% in value) were secured on property situated in New South Wales.

2.25 Six Year Fund Growth

Eclipse Prudent Mortgage Fund has experienced a steady and continual growth over the past five (5) years, with a slight decrease in the last year, reflecting changes in market conditions, as demonstrated by the following graph:



SECTION 3 : FEES AND OTHER COSTS

3.1 Consumer Advisory Warning

The warning below is required by law in the form it appears below. The fees and other costs associated with investing in the Fund are described in this section.

The warning aims to alert investors of the importance of value for money and the compounding value of fees and costs and their impact over time on end benefits. The example given is not intended to represent an investment in the Fund offered through this PDS or any specific Mortgage Investment offered through any Syndicate Statement. This is particularly so, given that distributions to investors can never be more than the interest rate applicable to their selected Mortgage Investment. For an additional description of the fees and costs charged by the Fund, please read the section below.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees* and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

- * There are no contribution fees for the Fund. When comparing an investment in the Fund through this PDS or the relevant Syndicate Statement with other products in the market place, recognise that other products may charge a contribution fee and you may be able to negotiate a lower contribution fee with that fund or your financial adviser.

3.2 Fees and Other Costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

Taxes are set out in another part of this document. Please refer to section 2.19 "Taxation".

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN
<ul style="list-style-type: none"> <li data-bbox="336 510 711 539">Mortgage Interest Account fee 	<p data-bbox="767 226 1070 421"><i>EXAMPLE — For applications moneys of \$5,000,000 accepted by the Manager, the maximum fee to which the Manager is entitled is \$25,000 (GST inclusive).</i></p> <p data-bbox="767 510 1070 674">The Manager is entitled to receive a fee of up to 1% (plus GST) of any amount received and deposited into the Mortgage Interest Account.</p> <p data-bbox="767 707 1070 902"><i>EXAMPLE – For a deposit of \$500,000 into the Mortgage Interest Account, the maximum fee that the Manager is entitled to is \$5,000 plus GST of \$500, making a total of \$5,500.</i></p> <p data-bbox="767 936 1070 1041">The Manager has currently waived this fee unless it is specifically referred to in a Syndicate Statement.^[1]</p>	<p data-bbox="1104 510 1453 616">If this fee were to be charged, it would be calculated, accrue and be payable at such times as is determined by the Manager.</p>
<ul style="list-style-type: none"> <li data-bbox="336 1077 507 1106">transfer fee 	<p data-bbox="767 1077 1070 1323">The Manager is entitled to receive a fee from a transferor of interest in a Mortgage Investment of up to 1% (plus GST) of the value of the transferor's interest in the Mortgage Investment being transferred.^[4]</p> <p data-bbox="767 1357 1070 1603"><i>EXAMPLE – A person has invested \$500,000 into a Mortgage Investment and wishes to transfer its interest to another person. The maximum fee the Manager is entitled to for the transfer is \$5,000 plus GST of \$500, making a total of \$5,500.</i></p>	<p data-bbox="1104 1077 1453 1160">The fee is payable by the transferor before the transfer is registered by the Manager.</p>

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN
<ul style="list-style-type: none"> additional interest payment on default or late payment 	<p>As agreed with the borrower. The amount of the fee and the basis of calculation is in the Syndicate Statement. The amount is typically calculated at a rate of 3% above the prompt payment interest rate.</p> <p><i>EXAMPLE – If, on a loan of \$100,000, the Manager charges an interest rate of 7% per annum, and the borrower defaults on one (1) month's interest (being \$583), then an additional amount of \$250 is payable on that month's interest by the borrower to the Manager which then pays that amount to the Members.</i></p>	<p>This fee is paid by the borrower in the manner as provided in the mortgage terms and is paid by the Manager to the Member.</p>
Service Fees^[5]		
<p><i>Investment Switching fee</i> The fee for changing investment options</p>	<p>Nil</p>	<p>Not applicable</p>

Notes:

- [1] For further information see ‘Waivers and Changes to Fees’ under ‘Additional Explanation of Fees and Costs’ below.
- [2] Under the Constitution, the Manager is entitled to a fee of up to 15% (plus GST) of any interest that is earned on application moneys that are accepted before they are invested in a Mortgage Investment. The fee currently charged is less than this amount.
- [3] The actual fee may be rounded down to full cents.
- [4] If the Manager is required to obtain a current valuation of the security property to facilitate the transfer of the interest to the transferee investor in the Mortgage Investment Syndicate, the transferor may be required to pay the costs of obtaining the valuation report.
- [5] For the position of brokerage fees payable to mortgage brokers and advisers see ‘Brokerage’ and ‘Adviser Commission’ under ‘Additional Explanation of Fees and Costs’ below.

3.3 Example of annual fees and costs

This table gives an example of how fees and costs on this product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

Example*		Balance of \$50,000 with contributions of \$5,000 during year
Contribution fee	Nil	Nil
PLUS Management Costs	0.5% (GST incl)	And , for every \$50,000 you have in the Fund BEFORE IT IS INVESTED IN A MORTGAGE INVESTMENT , you will be charged: \$250 each year ^[1] ^[2]
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of: \$250 ^[2]

* This table is in the form specified by the *Corporations Regulations*. It does not take account of any management costs referable to the additional \$5,000 you put in during the year. It also does not take into account any management costs payable by borrowers to the Manager.

Please note that the amount for the cost of the Fund will not affect the returns that an investor is entitled to receive since returns are determined by the applicable investment return rate which is specified in the relevant Syndicate Statement.

Notes:

- [1] Under the Constitution, the maximum period to which a Member may have funds in the Fund Account not invested in a Mortgage Investment is 60 days, not 1 year. Investors should note that most Members select to have their application moneys invested within days after they are accepted by the Manager
- [2] Additional fees may apply. The Manager is entitled to receive a transfer fee from a transferor of an interest in a Mortgage Investment of up to 1% (plus GST) of the value of the transferred interest (which is a maximum transfer fee of \$500 plus GST of \$50, making a total of \$550 for every \$50,000 you transfer to another).

3.4 Additional Explanation of Fees and Costs

Waivers and Changes to Fees

Waivers

Under the Constitution, the Manager has the power to waiver or defer the payment to it of certain fees. As at the date of this PDS it has waived certain fees for the duration of this PDS.

Changes to Fees

If the Manager elects to cease the waiver or deferral of fees, or to increase any fees to the maximum provided in the Constitution, such changes will not affect any fees charged in respect of a Syndicate Member, as stated in the relevant Syndicate Statement. For other Members of the Fund the Manager will give not less than 30 days' notice before it makes any such change.

Indirect Cost Ratio (Members)

Under the Constitution, the Manager is entitled to certain management costs including application moneys fee, application moneys interest fee, and Mortgage Interest Account fee and the transfer fee, as outlined above. A measure of the level of management costs the Manager charges is the Indirect Cost Ratio (**ICR**).

The ICR is the ratio of the Fund's management costs (excluding transaction costs such as brokerage) that are not deducted directly from an investor's account, to the total average net assets of the Fund, over the period in which the ICR is measured. In relation to Members, the ICR is a general measure of the fees and costs incurred by a Member over and above the fees and costs that a Member would incur by directly investing in the same underlying assets of the Fund.

The ICR for the Fund (in relation to Members) will include the application moneys interest fee, and, if they were to be charged, the application moneys fee and the Mortgage Interest Account fee.

The ICR for the Fund (in relation to Members) for the financial year ended 30 June 2005 is 0.5% (GST inclusive). This translates to management costs per \$50,000 invested for the financial year ended 30 June 2005 of \$250. This amount is used for the purpose of calculating management costs in the example of annual fees and costs on page 24 of this PDS. However, investors should understand that this is only applicable to application moneys for the period after they were accepted by the Manager and before they are invested in a Mortgage Investment.

Indirect Cost Ratio (borrowers)

Under the Constitution and the relevant loan terms, the Manager is entitled to certain management costs from borrowers including the loan application fee, the early repayment fee and additional interest payments, as outlined in the table on pages 22 and 23 of this PDS.

The ICR for the Fund (in relation to borrowers) will measure the level of management costs the Manager charges to borrowers. This will include the loan application fee, early repayment fee and additional interest payments.

The ICR for the Fund (in relation to borrowers) for the financial year ended 30 June 2005 is 1.248%. This translates to management costs per \$50,000 lent to borrowers for the financial year ended 30 June 2005 of \$624.

Important Note:

The fees and charges payable by a borrower in respect of any Mortgage Investment and the fees and expenses of the Manager will be set out in the relevant Syndicate Statement.

Expenses payable by the Manager

The Manager meets all of the expenses of the Fund from its own resources unless any particular expense is specifically referred to in the relevant Syndicate Statement as being payable by the relevant Syndicate Members. If commissions are payable to financial advisers on investment referrals, it is paid separately by the Manager for its own fees. Brett Scott will be paid professional fees for any legal services he provides to the Manager and Eclipse Administration Pty Limited ACN 091 212 636 and Cephos Pty Ltd ACN 002 593 526 will be paid fees by the Manager and not the Fund, for the services it provides to the Manager. All expenses incurred by the Manager in connection with a particular Mortgage

Investment, including those incurred in the enforcement of a mortgage are payable or reimbursable out of the proceeds of the realisation of the Mortgage Investment.

If there is a default under a current Mortgage Investment in which the relevant Syndicate Member has an interest and there is insufficient money paid from the sale of the mortgage security or on the refinance of the mortgage, then any costs associated with the default or incurred by the Manager (such as but not limited to valuation fees, agents commission, taxes, rates and charges or other imposts of government and regulatory authorities, debt collection fees, legal costs, court proceedings and filing fees, process service fees, arbitration fees, mediation fees and all other costs and disbursements incurred in connection with the default management, sale and administration of the security and mortgage and the proper performance of the duties and functions of the Manager while the Mortgage Investment was in default) is to be paid prior to payment of interest and principal to relevant Syndicate Members.

Brokerage

Where a borrower is introduced to the Fund by a mortgage broker, that broker may be entitled to receive a brokerage fee. This is usually paid by the borrower unless specified otherwise in the loan documentation. The broker may also receive a trailing commission during the term of the loan. Mortgage broker fees vary from broker to broker, but are usually calculated as a percentage per annum of the amount of the loan. This is usually payable by the borrower on settlement of the loan and typically deducted from the loan amount.

The amount of any brokerage payable in respect of a particular Mortgage Investment will be stated in the relevant Syndicate Statement. The amount will typically be a maximum of 1.0% of the loan amount.

For example, if a mortgage broker is entitled to a trail brokerage fee of 0.25% per annum of the loan amount for introduction of the borrower to the Fund, and the loan amount is \$500,000, then a fee of \$1,250 (plus GST) is payable by the borrower to the broker every year.

Adviser Commission

The Manager may pay a commission to an adviser in respect of the introduction of an investor to the Fund. The commission payable is 0.25% of the amount invested, or reinvested in the Fund. It is paid by the Manager from its own funds and not by the Member. For example, if an investor invests \$10,000 into the Fund, the commission paid to the adviser by the Manager is \$25.

GST

All fees and charges referred to above are GST exclusive, unless otherwise stated. However, the impacts of GST, reduced inputs tax credit and stamp duty have been taken into account, where relevant, in the worked examples provided.

Where the Manager, in its capacity as manager of the Fund, becomes liable to pay goods and services tax in respect of its services in relation to the Fund, it may, in the future, recover that amount from the Fund, after deducting any refund of ‘reduced input tax credits’ for goods and services tax paid. This recovery is by way of distribution of that amount, as income, to the Manager as the holder of the Manager’s interest, and not by way of remuneration.

SECTION 4 : FUND DOCUMENTS

4.1 The Constitution

The Fund's Constitution provides the framework for the operation of the Fund and was established by the Manager by Deed Poll dated 6 December, 1999. The Constitution was amended by an amending Deed in November, 2003. It is the Constitution that primarily governs the powers and duties of the Manager, the rights and obligations of the Members, and the structure of the Fund and overall its relationship with Members.

The Constitution binds the Manager and each Member of the Fund and is the main source of the Manager's relationship with Fund Members.

Some of the provisions of the Constitution have been set out in other parts of this PDS, but generally the provisions are to do with:

- the Manager's role as custodian of the Fund assets;
- the Managers rights and powers as the responsible entity of the Fund;
- the provisions for the replacement or retirement of the Manager;
- a Member's rights in the Fund (eg: power to amend the Constitution, call meetings, transfer an interest);
- applications for interests and withdrawal of interests in the Fund;
- the making, management, enforcement and realisation of Mortgage Investments;
- meetings of Members;
- the duration and winding up of the Fund;
- the termination of the Fund;
- the complaints procedures for Members;
- how the Constitution may be amended;
- the legal enforceability of the Constitution;
- a description of the Fund's operation; and
- the giving of notices.

The Constitution is a legally enforceable document and is lodged with ASIC as part of the Fund's registered documents. Any Member or adviser wishing to gain full knowledge of its contents should inspect it. It is also available to inspect at the offices of the Manager or simply request a copy from the Manager free of charge.

4.2 The Compliance Plan

The Manager has adopted a Compliance Plan for the Fund as required by the *Corporations Act 2001* and a copy is lodged with ASIC as part of the registered Fund's documents. The Compliance Plan sets out the key criteria that the Manager will follow to ensure that it is complying with the *Corporations Act 2001* and the Constitution and describes the compliance structure of the fund, the lines of responsibility and the duties of all personnel in ensuring the Fund is operated properly and in accordance with the Manager's AFS Licence.

The Compliance Plan is reviewed annually and where amendments are approved by the Board of directors, a consolidated copy is lodged with ASIC.

The Compliance Plan for the Fund is also subject to audit by an approved registered company auditor who is required to prepare an audit report annually and is also lodged with ASIC.

As set out in this PDS, a Compliance Committee is appointed to oversee the entire Fund procedures and to monitor the Manager's performance under the Compliance Plan. The Fund's committee has a majority of its members external to the Manager.

A copy of the Compliance Plan may be obtained from ASIC upon payment of the prescribed fee or upon request from an office of the Manager free of charge.

4.3 Legal Services Agreement

The Manager uses Brett Scott - Solicitor to provide legal services in respect of the mortgages and any enforcement proceedings. An agreement has been entered into between the Manager and Brett Scott - Solicitor which deals with a number of aspects relating to the provision of these services including the obligation of Brett Scott - Solicitor to perform its services diligently and in a proper, professional and skilful manner. Regard must also be had to the obligations of the Manager under the *Corporations Act 2001* and other legal and regulatory requirements. Brett Scott – Solicitor must also provide reasonable access to its records to the Manager, and any auditor, relating to the provision of these services. Brett Scott – Solicitor must also certify to the Manager every year that it is complying with the terms of the agreement.

Brett Scott – Solicitor, the legal firm retained by the Manager, shall receive legal fees for the services it provides to the Manager.

The Manager has also appointed a number of other legal firms to act for it to provide legal services in respect of the mortgages and any enforcement proceedings, including but not limited to Hunt & Hunt, M Rosenblum & Co, Carneys, MBT Lawyers, Emil Ford & Co, Maurice May with Slater and Gordon, Bryan McCarthy, McIntosh McPhillamy & Co, Sheather & Associates, B J MacRae, Patterson Byfield & Bryen and Cropper Parkhill. The Manager has no association with any of these panel law firms.

4.4 Administration Services Agreement

Certain services relating to the administration of the Fund will be provided to the manager by Eclipse Administration Pty Ltd ACN 091 212 636 and Cephas Pty Ltd ACN 002 593 526 under an agreement between them. These services must also be provided diligently and in a proper, business-like and skilful manner and in accordance with performance criteria set out in the agreements. These include the times and manner in which various activities must be carried out and reports provided. Under the agreement, the Manager will pay to Eclipse Administration Pty Ltd ACN 091 212 636 and Cephas Pty Ltd ACN 002 593 526 fees for the services provided.

SECTION 5 : GLOSSORY OF TERMS

application moneys	The amount specified in an application to become a Member of the Fund (minimum \$10,000)
Application Moneys Account	Before the approval of an application, the amount specified in the application becomes part of this account, held on trust by the Manager
ASIC	Australian Securities and Investments Commission
borrower	Person(s) who apply for, and are granted, a loan by the Manager
Compliance Committee	Appointed by the Manager to ensure the Manager complies with the requirements of the <i>Corporations Act 2001</i> , the Constitution and the Fund's Compliance Plan
Compliance Plan	The document adopted by the Manager that sets out the key criteria and procedures that the Manager is to follow to ensure that it complies with the requirements of the <i>Corporations Act 2001</i> and the Constitution
Constitution	The deed poll entered into by the Manager establishing the Fund, as amended
Epitome	A summary of the Mortgage Investment(s) for a Member
Fund	Eclipse Prudent Mortgage Fund ARSN 090 994 326
Fund Account	After approval of an application, the amount specified in the application becomes part of this account, held on trust by the Manager
GST	Goods and services tax within the meaning of the <i>New Tax System (Goods and Services Tax) Act 1999</i>
Loan Approval Committee	A committee formed by the Manager to review and consider each proposed and actual Mortgage Investment
LVR	loan to valuation ratio, percentage of the total value of the security property the Manager is willing to lend to the borrower (a maximum of 66.67%)
Manager	Eclipse Prudent Mortgage Corporation Limited ABN 54 089 265 270
Member(s)	Successful applicants who have an interest in the Fund and an interest in a Mortgage Investment by way of investment
Member(s) of the Fund or Fund Members	Successful applicants who have an interest in the Fund and an interest in a Mortgage Investment by way of investment
Member(s) of a Syndicate or Syndicate Members	Member(s) of the Fund who have an interest in a Mortgage Investment by way of investment through the relevant Syndicate Statement

Mortgage Interest Account	The account maintained by the Manager into which all payments of interest and repayments of principal are held by the Manager on trust for the Members of the relevant Syndicate pending distribution
Mortgage Investment	Any loan or debt secured by a registered mortgage over real property, by a Syndicate
PDS	This product disclosure statement for the Fund
Syndicate	Made up of Members of the Fund who elect to invest in a particular Mortgage Investment through the relevant Syndicate Statement
Syndicate Statement	Outlines details of a Mortgage Investment and is to be used by Member(s) of the Fund to invest into a Syndicate

HOW TO INVEST

- An application for membership of the Fund must be on one of the Application Forms attached to this PDS.
- Cheques should be made payable to **Eclipse Prudent Mortgage Corporation Limited - [account name of investor]**.
- Your completed and signed Application Form and payment should be lodged with

Eclipse Prudent Mortgage Corporation Limited

at one of the following offices

Sydney:

Level 5 "Eclipse House"
30 Alfred Street,
MILSONS POINT 2061
Tel: 9955 9779 Fax: 9955 9770

PO Box 636
MILSONS POINT 1565

Port Macquarie:

PO Box 1179
PORT MACQUARIE 2444
Tel: 65 841 722
Fax: 65 844 850

Applications will be processed by the next business day after receipt

Tax File Number

It is not compulsory to record your Tax File Number, but without it or unless you are exempt the Manager is required to deduct tax from the distribution of your income from the Fund. Further information about Tax File Numbers can be obtained from the Australian Taxation Office.

Need Assistance?

If you have any questions or queries in completing your Application, please do not hesitate to contact Valerie MacRae or Theresa Moore on 02 9955 9779 during business hours.

Please note:

1. A joint application must be signed by each of the applicants. Joint applicants will be assumed to be joint tenants unless otherwise specified.
2. An application lodged by a company must be executed under Common Seal or Power of Attorney or its authorised officer.
3. An application by a Trustee in respect of a Superannuation Fund or similar must be in the name of the Trustee and signed by the Trustee.
4. The minimum subscription amount for an initial investment is \$10,000.00.
5. The minimum subscription amount for subsequent investments is \$5,000.00.
6. Only persons over the age of 18 may apply. If investing for a minor, record your name, then write "for and on behalf of" and the name of the minor.
7. Authorised Representative: You may appoint another person or entity with the legal capacity to contract as your authorised representative to operate investments and to do anything you can do with the investment.

Eclipse Prudent Mortgage Corporation Ltd AFS Licence no 238546

Eclipse Prudent Mortgage Fund ARSN 090 994 326

PRODUCT DISCLOSURE STATEMENT

APPLICATION FORM

TYPE OF INVESTOR

Individual Joint Company Partnership Trust Super Fund Child

Investor 1

First Name	Surname	TFN	DOB
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Investor 2

First Name	Surname	TFN	DOB
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Company/Trustee	ACN (If Applicable)
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*If you do not supply a Tax File No. or Exemption, tax shall be withheld from your interest.

Postal Address	Contact Number
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City	Postcode	Mobile
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Email	Facsimile
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INVESTMENT AMOUNT \$

*Please make cheque payable to: Eclipse Prudent Mortgage Corporation Limited

INTEREST DISTRIBUTION DETAILS

Bank Cheque

Bank/Financial Institute/Credit Union	BSB	Account No.
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Account Name

DECLARATION & SIGNATURE

I/we have read and understood the Product Disclosure Statement dated 3 July 2006(PDS) which this Application is attached and relates. I/We agree to be bound by the provisions of the Fund Constitution as amended from time to time and the conditions of this

I/we acknowledge unless waived by the manager, any government levies, duties or taxes shall be charged to my account

I/We agree and understand the terms used in the application have the same meaning as in the Constitution and PDS

I/We acknowledge I/we will be allocated to a Mortgage Investment under separate Syndicate Statement whose terms and conditions are the same as in this Application, PDS and Constitution

I/We declare the information supplied in this application is true and correct

If signed under Power of Attorney I/we have no knowledge of the revocation of that Power of Attorney.

Print Name	Signature of Investor or Company Representative	Date
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Print Name	Signature of Investor or Company Representative	Date
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Office Use Only:

Processed

Office Signature
