

Eclipse Prudent Mortgage Fund

ARSN 090 994 326

Product Disclosure Statement

6 October 2017

Responsible Entity and Issuer
Eclipse Prudent Mortgage Corporation Limited
ACN 089 265 270, AFSL 238546, ACL 238546

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Important Information

Responsible entity and issuer

Eclipse Prudent Mortgage Corporation Limited ACN 089 265 270, AFSL 238546, ACL 238546 (**Eclipse**) is the responsible entity of the Eclipse Prudent Mortgage Fund ARSN 090 994 326 (**Fund**) and the issuer of this product disclosure statement dated 6 October 2017 (**PDS**).

No representation other than contained in this PDS

No company or person other than Eclipse in its capacity as responsible entity of the Fund makes any representation or statement in connection with the Fund that is not contained in this PDS. You should only rely on the information in this PDS when deciding whether to invest in the Fund and the information provided in the Syndicate PDS before deciding whether to invest in a Mortgage Investment.

No performance guarantee

Eclipse, RF Capital and their related entities or associates (including their respective employees, associates, agents, officers and other individuals) do not guarantee the success, repayment of capital, any rate of return on income or capital or the investment performance of the Fund. An investment in the Fund does not represent a deposit with or a liability of Eclipse or any of its associates. An investment is subject to investment risk, including possible delays in repayment or no repayment, or loss of income or principal invested.

Note to prospective Applicants

The information contained in this PDS and the relevant Syndicate PDS of a Mortgage Investment is not financial product advice. This PDS and any Syndicate PDS of a Mortgage Investment has been prepared without reference to your investment objectives, financial situation and particular needs. This PDS has not been, and is not required to be, lodged with ASIC under the Corporations Act. It is important you read this PDS and any Syndicate PDS of a Mortgage Investment carefully and in its entirety before making a decision whether to invest. Investments in this Fund and any Syndicate are subject to risk and market fluctuations. You should ensure that you understand the risk factors that could affect the performance of the Fund or any Syndicate. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek independent professional advice from your broker, solicitor, accountant, financial or other professional adviser before deciding whether to invest in the Fund or any Syndicate. Some of the key risk factors that should be considered by prospective Applicants are set out in section 5 of this PDS. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the risk factors that could affect the Fund's business, financial condition and result of operations. Past performance is no indication of future performance.

Eligibility

This PDS has been prepared to comply with the requirements of Australian law and is only being made available to Applicants resident in Australia. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Distribution of this PDS outside of Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this PDS outside of Australia are required to observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable securities laws. Unless otherwise agreed with Eclipse, any person

applying to invest in the Fund shall by virtue of such application be deemed to represent that they are not in a jurisdiction which does not permit the making of an investment as detailed in this PDS and are not acting for the account or benefit of a person within such a jurisdiction.

Related party investments

Eclipse, RF Capital and their related entities or associates (including their respective employees, associates, agents, officers and other individuals) may (in various capacities) deal in transactions or interests identical or similar to those described in this PDS and may invest in the Fund or any Syndicate.

Updated information

Information relating to the offer may change from time to time. Unless otherwise specified, all information contained in this PDS is stated as at the date of this PDS. Eclipse may issue a new or supplementary PDS to supplement or update any relevant information not contained in this PDS or may update certain information which is not materially adverse to Members on its website at www.eprudentmortgage.com.au. Any supplementary PDS or updated information should be read together with this PDS.

Continuous disclosure

Eclipse will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Applicants and Members may access material information regarding the Fund from the Fund's website at www.eprudentmortgages.com.au.

Defined terms and financial information

Certain terms used in this PDS have been defined in the Glossary of this PDS. All fees quoted in this PDS are inclusive of GST and all amounts are in Australian Dollars.

Obtaining a copy of this PDS and further information

A paper copy of this PDS is available free of charge to any person in Australia by calling Eclipse on +61 2 9954 2211 between the hours of 8.30am to 5.00pm Monday to Friday Australian Eastern Standard Time (**AEST**) (excluding public holidays). An electronic copy of this PDS may be accessed at www.eprudentmortgages.com.au. If you access the electronic version of the PDS, you should ensure that you download and read the entire PDS.

If you have any questions concerning the information contained in this PDS, please contact Eclipse in accordance with the communications policy in section 7.

Table of contents

Section 1 : Key Features of the Fund	3
Section 2 : ASIC Benchmarks and Disclosure Principles	8
Section 3 : Investing in the Fund	16
Section 4 : Lending and Mortgage Investments	19
Section 5 : Risks	23
Section 6 : Fees and other costs	28
Section 7 : Your Investment in the Fund	35
Section 8 : Fund Management	42
Section 9 : Additional Information	43
Section 10 : Glossary of Terms	46
Section 11 : Corporate Directory	49
Section 12 : How to Invest	50

SECTION 1 : KEY FEATURES OF THE FUND

The table below provides you with a summary of some of the important features of an investment in the Fund. You should read this PDS in full before deciding whether to invest in the Fund. You should read the relevant Syndicate PDS in full before deciding whether to invest in a particular Mortgage Investment.

For further information, see

The Fund	Eclipse Prudent Mortgage Fund ARSN 090 994 326 is a registered managed investment scheme that is an unlisted Australian contributory mortgage scheme.	Section 3.1
Product issuer	Eclipse Prudent Mortgage Corporation Limited ACN 089 265 270, AFSL 238546, ACL 238546 is the issuer of this PDS and the responsible entity.	Section 3.1
Features of a contributory mortgage scheme	<p>The Fund operates as a contributory mortgage scheme and offers investment in a Mortgage Investment secured by a registered Mortgage over legal interests in real property.</p> <p>After being accepted as a Member, the Member may then participate in one or more Syndicates after approving the terms of the Mortgage Investment and signing the Syndicate Application Form in the Syndicate PDS that applies to the Mortgage Investment.</p> <p>The Syndicate and the Mortgage Investment is an asset of the Syndicate Members, not an asset of the Fund. The Syndicate Members hold the Mortgage Investment as tenants in common and the Mortgage is registered in the name of the Syndicate Members or Eclipse as nominee for the Syndicate Members.</p> <p>The Fund does not operate as a pooled fund, debenture trust or unit trust and the Member has the absolute discretion whether to invest in any Mortgage Investment offered to the Member.</p> <p>The Fund enables Members to select Mortgage Investments that meet their individual risk profiles and objectives. The details of the Mortgage Investment are set out in the Syndicate PDS.</p>	Section 3
Investment objective	The Fund aims to provide Members with stable and recurring income with capital stability and low volatility from Mortgage Investments secured by a registered Mortgage over legal interests in real property.	Section 4.1
Investment strategy	The investment strategy of the Fund is to lend money to Borrowers on the security of a registered Mortgage over legal interests in real property in Australia.	Section 4.2

*For further
information, see*

Investment in the Fund and Syndicate	An Applicant must first apply to become a Member in accordance with the procedure set out in section 3.3. Once a Member, you may then become a Syndicate Member for a Mortgage Investment in accordance with the procedure set out in section 3.7.	Sections 3 and 12
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You can apply to become a Member by providing to Eclipse a completed Application Form, the required identification documents and other declarations and making a payment equal to the full Application Monies by cheque, direct deposit or electronic funds transfer.

The Application Form to become a Member contains important terms relating to the Fund and should be read in full before deciding to invest.

If Eclipse accepts your application, in whole or in part, you will become a Member and may then choose to allocate funds to a Mortgage Investment by approving the terms of the Syndicate PDS and becoming a Syndicate Member.

Withdrawals	Due to the duration of the Mortgage Investments, the Fund operates as a non-liquid managed investment scheme. A Syndicate Member has no right to withdraw from a Syndicate until the Mortgage Investment has been repaid or the Security Property realised, the proceeds are available for distribution and the Syndicate is terminated.	Sections 3.13 and 7.5
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Once you have accepted the terms of the Mortgage Investment, your Holding Monies are committed to the Mortgage Investment for 60 days from the date of acceptance. If the Mortgage Investment is not settled within 60 days, the Holding Monies may be allocated to another Mortgage Investment or withdrawn.

A Member may request to withdraw any Holding Monies that have not been committed to a Mortgage Investment by submitting a withdrawal request form in such form as Eclipse requires from time to time.

Withdrawal payments will be made by Eclipse to the Member's nominated bank account within 10 Business Days after the withdrawal request form is processed by Eclipse.

Eclipse has the right to return a Member's Holding Monies held in the Fund Account if they have not been committed to a Syndicate.

Cooling Off Period	The Fund operates as a non-liquid managed investment scheme. As a result, there is no cooling off period.	Section 3.5
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Overview of the Fund	The Fund is managed by Eclipse, a leading alternative lender to the real estate market, specialising in financing for residential, commercial, retail, vacant land or industrial properties and/or construction projects located primarily in Australian metropolitan areas.	Sections 3.1, 4.8 and 8
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For further information, see

Eclipse is part of the RF Capital group of entities, an integrated alternative asset manager with interests in real estate, credit and financial markets operating across Australia, Middle East and Europe, leveraging 50 years of experience in real estate investment, development, construction and funds management.

Loan assessment process	Eclipse's Credit Committee has a lending policy that sets out the criteria under which Mortgage Investments are approved. Each Borrower and loan application is assessed adopting a conservative approach to minimise risk to Members. The assessment process is supported by an independent valuation of the Security Property, together with quantity surveyor assessments for Construction Loans.	Section 4.14												
Investment timeframe	The duration of a particular Mortgage Investment is specified in the Syndicate PDS. The term is generally between 12 and 36 months; however, this may be longer or shorter depending on the nature of the investment.	Section 4.6												
Key risks	Risks can include the potential for loss of income or capital (or both), a lower than expected rate of return or a delay in the repayment of capital. An investment in the Fund or any Syndicate is subject to general risks that are outside Eclipse's control (such as changes to economic conditions and government regulations) as well as other risks specific to the Fund and a Mortgage Investment.	Section 5												
Fees	<table border="1"> <tr> <td data-bbox="435 1238 766 1272">Establishment fee</td> <td data-bbox="799 1238 831 1272">Nil</td> </tr> <tr> <td data-bbox="435 1283 766 1317">Contribution fee</td> <td data-bbox="799 1283 831 1317">Nil</td> </tr> <tr> <td data-bbox="435 1328 766 1361">Withdrawal fee</td> <td data-bbox="799 1328 831 1361">Nil</td> </tr> <tr> <td data-bbox="435 1373 766 1406">Exit fee</td> <td data-bbox="799 1373 831 1406">Nil</td> </tr> <tr> <td data-bbox="435 1417 766 1462">Holding Monies management fee</td> <td data-bbox="799 1417 1150 1594">Nil to 1.10% per annum (inclusive of GST, less applicable RITCs) of the Holding Monies accepted by Eclipse and held as Holding Monies in the Fund Account.</td> </tr> <tr> <td data-bbox="435 1798 766 1843">Mortgage Investment management fee</td> <td data-bbox="799 1798 1150 2018"> <p>As at the date of this PDS, Eclipse charges a Holding Monies management fee of 0.15% per annum (inclusive of GST, less applicable RITCs).</p> <p>Nil to 1.10% per annum (including GST, less applicable RITCs) of the monies in a Mortgage Investment.</p> <p>This fee is deducted from the interest received by the Member, typically on a monthly basis, and</p> </td> </tr> </table>	Establishment fee	Nil	Contribution fee	Nil	Withdrawal fee	Nil	Exit fee	Nil	Holding Monies management fee	Nil to 1.10% per annum (inclusive of GST, less applicable RITCs) of the Holding Monies accepted by Eclipse and held as Holding Monies in the Fund Account.	Mortgage Investment management fee	<p>As at the date of this PDS, Eclipse charges a Holding Monies management fee of 0.15% per annum (inclusive of GST, less applicable RITCs).</p> <p>Nil to 1.10% per annum (including GST, less applicable RITCs) of the monies in a Mortgage Investment.</p> <p>This fee is deducted from the interest received by the Member, typically on a monthly basis, and</p>	Section 6
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For further
information, see

in the manner as provided in the
Syndicate PDS.

The amount of fee to be charged
will be disclosed in the Syndicate
PDS and may be nil.

Mortgage interest account fee	Nil
Investment switching fee	Nil
Transfer fee to a Syndicate Member	1.10% (inclusive of GST less applicable RITCs) of the value of the transferor's interest in the Mortgage Investment.

For further information on fees payable by the Member and for fees payable by the Borrower, see section 6.

Minimum investment	Minimum initial investment: \$10,000 Minimum additional investment: \$5,000	Sections 3.4 and 12
Allocation of Funds	The Member's Holding Monies are allocated to Syndicates in accordance with the allocation process which considers the Member's investment preferences and the length of time that the Member's Holding Monies have been held in the Fund Account.	Sections 3.9 and 5.2.4
Income distribution	<p><i>Syndicate Member</i></p> <p>The amount of interest payable to a Syndicate Member will be based on the interest rate disclosed in the Syndicate PDS that is applicable to the Mortgage Investment. The interest rate will be fixed for the full term of the Mortgage Investment. Interest (less any applicable taxes or fees) is distributed to the Syndicate Members monthly, unless otherwise disclosed in the Syndicate PDS.</p> <p><i>Members who have Holding Monies</i></p> <p>Interest earned on Holding Monies (less any applicable taxes or fees) will be distributed monthly.</p>	Sections 6 and 7.1 to 7.4
Regular reporting	<p>Members will receive the following regular reports:</p> <ul style="list-style-type: none"> • Transaction confirmation • Income distribution statements • Annual report • Annual tax statements <p>In addition to the above, Syndicate Members will receive the following in respect of their Syndicate:</p> <ul style="list-style-type: none"> • Investment confirmation • Relevant loan management information • Default and enforcement information 	Section 7.10

*For further
information, see*

The Fund's annual report will be made available for Members on our website www.eprudentmortgages.com.au. A hard copy of the report will be forwarded to Members at their request.

**Additional
information**

Eclipse will provide Members with up to date information about the Fund on a periodic basis on matters of general interest that are relevant to the Fund or Mortgage Investments, on market and economic conditions, or as may be required under the Constitution or the Corporations Act.

Section 7.11

You can obtain up to date information about the Fund and details about the status of your investment by contacting Eclipse in accordance with the communications policy in section 7.12.

SECTION 2 : ASIC BENCHMARKS AND DISCLOSURE PRINCIPLES

To improve the disclosure of information about mortgage funds in Australia, ASIC requires information to be provided about specific operating benchmarks. Information about these benchmarks and disclosure principles are outlined below. ASIC has issued an independent guide for investors about unlisted mortgage schemes called 'Investing in mortgage schemes' which can be obtained from ASIC's website

<https://www.moneysmart.gov.au/media/363152/investing-in-mortgage-schemes.pdf>

2.1 Benchmarks

The information disclosed in this section 2.1 reflects the information ASIC considers to be key to enable retail investors to analyse the risks of investing and continuing to hold interests in unlisted contributory mortgage schemes, such as the Fund.

The benchmark and disclosure principles in the tables below are current as at the date of this PDS. Except to the extent stated below, Eclipse complies with the benchmarks. The updated information will be made available to Applicants and Members on Eclipse's website www.eprudentmortgages.com.au. A paper copy of the current benchmark and disclosure principles will also be provided free of charge on request.

BENCHMARK	IS THE BENCHMARK SATISFIED?	SUMMARY	FURTHER INFORMATION
Benchmark 1: Liquidity			
For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that: <ul style="list-style-type: none"> a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months; b) are updated at least every three months and reflect any material changes; and c) are approved by the directors of the responsible entity at least every three months. 	Not applicable	The Benchmark does not apply to the Fund.	This Benchmark does not apply.
Benchmark 2: Scheme borrowing			
The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.	Yes	Benchmark 2 is satisfied as Eclipse does not have current borrowings and does not intend to borrow on behalf of the Fund.	For additional disclosure on this benchmark, see information on ASIC Disclosure Principle 2 – Scheme Borrowing below.
Benchmark 3: Loan portfolio and diversification			
For a pooled mortgage scheme: <ul style="list-style-type: none"> a) the scheme holds a portfolio of assets diversified by size, 	Not applicable	The Benchmark does not apply to the Fund.	This Benchmark does not apply.

BENCHMARK	IS THE BENCHMARK SATISFIED?	SUMMARY	FURTHER INFORMATION
<p>Borrower, class of Borrower activity and geographic region;</p> <p>b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;</p> <p>c) the scheme has no single Borrower who exceeds 5% of the scheme assets; and</p> <p>d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).</p>			
Benchmark 4: Related party transactions			
<p>The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager</p>	Yes	<p>Benchmark 4 is satisfied as Eclipse does not lend to related parties. There is no scheme investment manager.</p>	<p>For additional disclosure on this benchmark, see information on ASIC Disclosure Principle 4 – Related Party Transactions below and section 9.5.</p>
Benchmark 5: Valuation policy			
<p>In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:</p> <p>a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</p> <p>b) a valuer to be independent;</p> <p>c) procedures to be followed for dealing with any conflict of interest;</p> <p>d) valuer rotation and diversity;</p> <p>e) in relation to security property for a loan, an independent valuation to be obtained:</p> <p>(i) before the issue of a loan and on renewal:</p> <ul style="list-style-type: none"> • for development property, on both an 'as is' and 'as if complete' basis; and 	No	<p>The Fund meets those aspects of the benchmark in paragraphs (a), (b), (c), (d) and (e)(ii).</p> <p>With respect of paragraph (e)(i) there are limited circumstances in which a valuation is not required before the issue of a loan:</p> <ol style="list-style-type: none"> 1. a current Valuer General's assessment may be accepted where the loan to valuation ratio (LVR) does not exceed 30%. If so, this will be stated in the Syndicate PDS. Eclipse considers that this is an acceptable practice as that assessment, made for rating and taxation purposes, is of the unimproved value of the Security Property and is considered by the Board of Eclipse as being generally lower than a valuation obtained for purchase or mortgage purposes. 2. Eclipse may not obtain a new valuation on the renewal of a loan 	<p>For additional disclosure on this benchmark, see Eclipse's Valuation Policy at Disclosure Principle 5 below and sections 4.10 to 4.12.</p>

BENCHMARK	IS THE BENCHMARK SATISFIED?	SUMMARY	FURTHER INFORMATION
	<ul style="list-style-type: none"> • for all other property, on an 'as is' basis; and <p>(ii) within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.</p>	<p>facility with a 12 month or less term. Each renewal is assessed on a case by case basis and Eclipse will order an updated valuation if:</p> <ul style="list-style-type: none"> i. the existing valuation is nearly two years old; ii. there is a decline in the market that may impact on the value of the security property and LVR (including but not limited to where this may have caused a material breach of a loan covenant); or iii. a Syndicate Member transfers their interest in the Syndicate. 	

Benchmark 6: Lending principles – Loan to valuation ratios

If the scheme directly holds mortgage assets:	Yes	<p>The Fund meets all aspects of Benchmark 6 paragraphs (a), (b) and (c).</p> <p>The maximum LVR on any first registered security must not exceed 65% of its independent value determined on an 'as is' basis and an 'as if complete' basis for Construction Loans. The maximum LVR on any second registered Mortgage, including for Construction Loans, must not, when taken with the amount advanced on the first registered Mortgage and any equal ranking securities exceed 80% of its independent value determined on an 'as is' basis and an 'as if complete' basis for Construction Loans.</p>	For additional disclosure on this benchmark, see Disclosure Principle 6 below and section 4.9.
a) where the loan relates to property development – funds are provided to the Borrower in stages based on independent evidence of the progress of the development;			
b) where the loan relates to property development – the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and			
c) in all other cases – the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.			

BENCHMARK	IS THE BENCHMARK SATISFIED?	SUMMARY	FURTHER INFORMATION
Benchmark 7: Distribution practices			
The responsible entity will not pay current distributions from scheme borrowings	Yes	Benchmark 7 is satisfied.	For additional disclosure on this benchmark, see Disclosure Principle 7 below and section 7.1 to 7.5.
Benchmark 8: Withdrawal arrangements – non-liquid schemes			
For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly	No	Due to the duration of the Mortgage Investments, the Fund operates as a non-liquid managed investment scheme. A Syndicate Member has no right to withdraw from a Syndicate except on termination of the Syndicate.	For additional disclosure on this benchmark, see Disclosure Principle 8 below and section 3.5.

2.2 Disclosure Principles

The information disclosed in this section 2.2 reflects the information ASIC considers to be key to enable retail investors to analyse the risks of investing and continuing to hold interests in unlisted contributory mortgage schemes, such as the Fund.

The disclosures below are to be read in conjunction with further material in the PDS and in the Syndicate PDS.

DISCLOSURE PRINCIPLE 1: LIQUIDITY

This disclosure principle does not apply to the Fund.

DISCLOSURE PRINCIPLE 2: SCHEME BORROWING

If the scheme has borrowings, the responsible entity should disclose a number of matters including those relating to:

- the total debts due, their maturity profile, undrawn credit facility and whether refinancing or sale of assets is likely during various periods;
- why the responsible entity has borrowed the money, including whether the borrowed funds will be used to fund distributions or withdrawal requests;
- any material loan covenant breaches;
- the fact that the amounts owing to lenders and other creditors rank before an investor's interests in the scheme; and
- the risks associated with the scheme's borrowings and credit maturity profile.

Eclipse confirms the Fund does not have current borrowings and does not intend to borrow on behalf of the Fund.

DISCLOSURE PRINCIPLE 3: LOAN PORTFOLIO AND DIVERSIFICATION

This disclosure principle does not apply to the Fund.

DISCLOSURE PRINCIPLE 4: RELATED PARTY TRANSACTIONS

If the responsible entity enters into related party transactions, the responsible entity should disclose details of those transactions including:

- a) the value of the financial benefit;
 - b) the nature of the relationship (i.e. the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act or ASX Listing Rules—for group structures, the nature of these relationships should be disclosed for all group entities);
 - c) whether the arrangement is on 'arm's length' terms, is reasonable remuneration, some other exception applies, or ASIC has granted relief;
 - d) whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme);
 - e) the risks associated with the related party arrangement; and
 - f) the policies and procedures that the responsible entity has in place for entering into related party transactions, including how compliance with these policies and procedures is monitored.
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The Fund has not made any loans to any related party of the Fund. This includes the Directors and shareholders of Eclipse, RF Capital or any entity associated with any of them together with their respective spouses or employees. As part of its Management of Conflicts of Interest Policy, no borrowing is permitted by a related party of the Fund.

From time to time, Eclipse, RF Capital or their associates (including associated staff and other individuals) may (in various capacities) deal in transactions or interests identical or similar to those described in this PDS and may invest in the Fund or any Syndicate.

A member of the RF Capital group of entities provides miscellaneous services to Eclipse.

Eclipse's policy and monitoring process in relation to managing any potential conflict of interest that may arise in relation to any related party investment in a Mortgage Investment or any other related party transaction is described in section 9.5.

DISCLOSURE PRINCIPLE 5: VALUATION POLICY

The responsible entity must disclose:

- a) where investors may access the scheme's valuation policy;
 - b) the processes that the directors employ to form a view on the value of the security property;
 - c) the frequency of valuations; and
 - d) any material inconsistencies between any current valuations over security property and the scheme's valuation policy.
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Valuation Policy

The Valuation Policy adopted by Eclipse is available by request or can be downloaded from Eclipse's website at www.eprudentmortgages.com.au.

Valuation processes

The processes that Eclipse employs to form a view on the value of the Security Property are described in section 4. A formal valuation is obtained from an independent valuer who meets the criteria set out in the Valuation Policy. In accordance with the Valuation Policy, the Credit Committee may adopt an alternative method of estimating the value of a Security Property and will disclose that alternative method in the relevant Syndicate PDS. Upon signing the Syndicate Application Form, each Syndicate Member agrees to adopt that value.

Diversity and rotation of valuers

Under its Valuation Policy, Eclipse maintains a panel of valuers who are proven to be independent, experienced and qualified to perform valuations on Security Property. No valuer may provide more than three consecutive valuations of any single Security Property, other than for a Construction Loan. No valuer may conduct more than one-third of the total valuation work for the Fund based on either the total number of loans or by value of funds under management at the time of the valuation.

This policy as to rotation and diversity of valuers recognises that it may not be possible at any particular time to achieve the preferred one-third position and the overriding requirement that the valuation meets the competency, independence, experience, specialisation and professional indemnity insurance criteria adopted by Eclipse together with the ability of the Fund to rely on the valuation as having been provided for the purpose of the loan.

Frequency of valuations

The valuation of the Security Property must not be more than six months old when the Mortgage Investment is made or a Member is placed in a Syndicate unless an alternative method of estimating the value of the property has been disclosed in the Syndicate PDS.

When a Mortgage Investment is renewed, Eclipse assesses on a case by case basis whether an updated valuation is required. For further information on the Valuation Policy adopted by Eclipse, see sections 4.10 to 4.12.

Material inconsistencies

As at the date of this PDS there were no material inconsistencies between any current valuation and the Valuation Policy.

DISCLOSURE PRINCIPLE 6: LENDING PRINCIPLES – LOAN TO VALUATION RATIOS

If the scheme directly holds mortgage assets the responsible entity must disclose:

- a) the maximum and weighted average loan to valuation ratios for the scheme as at the date of reporting
- b) where funds are lent for property development:
 - the criteria against which the funds are drawn down;
 - the percentage (by value) of the completion of any property that is under development as at the date of reporting; and
 - the loan to valuation ratio of each property development loan as at the date of reporting.

Mortgage Investments are held by Syndicate Members in each Syndicate, rather than by the Fund itself. The LVR for a Mortgage Investment is provided in the Syndicate PDS as set out in section 3.7 and 3.8.

DISCLOSURE PRINCIPLE 7: DISTRIBUTION PRACTICES

If the responsible entity makes distributions to members from the scheme it should therefore disclose:

- a) the source of the current and forecast distributions (e.g. from income earned in the relevant distribution period, operating cash flow, financing facility, capital, application money);

- b) if the distribution is not to be solely sourced from income received in the relevant distribution period, the reasons for making those distributions and the risks associated with such distributions;
- c) if the distribution is sourced other than from income, whether this is sustainable over the next 12 months; and
- d) when the scheme will pay distributions and the frequency of payment of distributions.

Monthly interest paid by the Borrower in respect of the Mortgage Investment is distributed to the Syndicate Members in their respective proportions. If the income received from the Borrower in a Mortgage Investment is insufficient in any monthly period to enable a distribution of interest to be made in full or in part, interest is distributed to Syndicate Members only to the extent that the income has actually been received from the Borrower.

DISCLOSURE PRINCIPLE 8: WITHDRAWAL ARRANGEMENTS

The responsible entity should disclose:

- the scheme's withdrawal policy and any rights that the responsible entity has to change the policy;
- the ability of investors to withdraw from the scheme when it is liquid;
- the ability of investors to withdraw from the scheme when it is non-liquid;
- any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme;
- how investors can exercise their withdrawal rights, including any conditions on exercising these rights;
- the approach to rollovers and renewals, including whether the 'default' is that investments in the Trust are automatically rolled over or renewed;
- if the withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility;
- the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme is liquid;
- any rights the responsible entity has to refuse or suspend withdrawal requests; and
- the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members to withdraw (e.g. if the scheme has a policy of ensuring that sufficient assets are held in readily realisable investments to meet future withdrawal requests, the responsible entity should state this in its PDS, provide details of the source of the realisable investment and report against this in its ongoing disclosure).

If the responsible entity makes representations to investors that they can withdraw from the scheme, there should be disclosure on:

- the grounds (which must be verifiable) for the statement;
- the supporting assumptions (which must not be hypothetical only) for the statement;
- the basis for the statement (which must not be based only on an opinion of the directors of the responsible entity if there are no objective grounds to support that opinion); and
- any significant risk factors that mean that withdrawal requests might not be satisfied within the expected period.

If the PDS contains a statement to the effect that, historically, withdrawal requests have been satisfied within a particular period, this may suggest a link between historical withdrawal periods and withdrawal periods that are likely to apply in the future. The responsible entity should ensure the statement clarifies that investors should not conclude that there is such a link between the historical availability of withdrawals and their future availability.

If the scheme promotes a fixed redemption unit price for investments (e.g. \$1 per unit), the responsible entity must clearly disclose details of the circumstances in which a lower amount may be payable, details of how that amount will be determined and the impact of a default under the scheme's mortgage assets on investors (e.g. on investor distributions and the unit price).

The responsible entity should, for a particular investor, disclose the above information to the investor as it relates to the investor's ability to withdraw.

Members should note:

- a Member may request to withdraw any Holding Monies that have not been committed to a Syndicate by submitting a withdrawal request in such form as Eclipse requires from time to time;

- if a Member has accepted the terms of the Mortgage Investment, the Holding Monies will remain committed to the Mortgage Investment for 60 days from the date of acceptance. If the Mortgage Investment is not settled within 60 days, the Holding Monies may be allocated to another Mortgage Investment or withdrawn;
- when Holding Monies are invested in a Mortgage Investment, Members may not withdraw their funds from that Syndicate until the Mortgage Investment has been repaid or the Security Property realised, the proceeds are available for distribution and the Syndicate is terminated; and
- if the term of a Mortgage Investment is to be extended or varied, this must be agreed to by the Syndicate Members.

For further information, see section 3.13

SECTION 3 : INVESTING IN THE FUND

3.1 Overview of the Fund

The Eclipse Prudent Mortgage Fund ARSN 099 994 326 is an unlisted Australian managed investment scheme registered under the Corporations Act in 1999.

Eclipse Prudent Mortgage Corporation Limited ACN 089 265 270, ACL 238546, AFSL 238546 is part of RF Capital group of entities and is the responsible entity of the Fund.

The Fund operates as a contributory mortgage scheme and offers investment in Mortgage Investments that is secured by a first registered Mortgage over legal interests in real property in Australia. In some instances, the Mortgage Investment may be secured by a second registered Mortgage.

3.2 Participation in the Fund

To participate in the Fund, an Applicant must:

- first, apply to become a Member; and
- second, become a Syndicate Member.

Eclipse has the right to accept or reject an application in whole or in part and is not required to give any reason or grounds for its decision.

3.3 How to become a Member

3.3.1 How to apply

In accordance with the instructions in the Application Form and as set out in section 12, an Applicant must:

- complete and sign the Application Form;
- provide the Application Monies;
- forward the Application Form to Eclipse; and
- forward the identification documents as set out in the Application Form.

3.3.2 Acceptance of application

If Eclipse accepts your application, in whole or in part, you will become a Member.

If your application is accepted and the Application Monies are not immediately applied to a Mortgage Investment, the Application Monies are transferred to the Fund Account and become known as the Holding Monies. Any Interest earned on the Holding Monies will be distributed to you. For further information, see section 7.2.

After being accepted as a Member, you may become a Syndicate Member.

If your Application Monies are received by Eclipse and there is a delay in the acceptance of your application for any reason, Eclipse will deposit the Application Monies in the Application Monies Account to be held on trust until the application has been processed.

If Eclipse rejects all or part of your application, it will return the relevant part of your Application Monies held in the Application Monies Account as soon as is practicable.

3.3.3 How to apply for additional investments

If you are already a Member, subsequent additional investments may be accepted by the Fund by completing and returning the Additional Investment Application Form and transferring the Application Monies as detailed above. The Additional Investment Application Form is available at www.eprudentmortgages.com.au or by requesting a copy by contacting Eclipse in accordance with the communications policy in section 7.12.

3.4 Minimum applications

The minimum initial application amount is \$10,000. Additional investments must be for a minimum of \$5,000.

3.5 Cooling off rights

Due to the duration of the underlying Mortgage Investments, the Fund operates as a non-liquid managed investment scheme. As a result, there is no cooling off period.

3.6 Investment of Holding Monies

If your Holding Monies are not immediately applied to a Mortgage Investment, Eclipse may invest the Holding Monies as authorised by the Constitution to earn interest. Any interest earned on the Holding Monies will be distributed to the Member (less Eclipse's Holding Monies management fee and any bank account keeping fees). For further information, see section 6.2.

3.7 Becoming a Syndicate Member

A Syndicate PDS will provide Members with details of the Mortgage Investment such as:

- the particulars of the Borrower;
- the amount of the Mortgage Investment to the Borrower;

- the Security Property and any additional security to be provided;
- the valuation of the Security Property;
- the LVR;
- the duration of the loan;
- the rate of interest payable by the Borrower (for both prompt and default payments);
- the amount of income payable to you;
- the fees and charges payable to Eclipse;
- in addition to the risk disclosed in this PDS, any additional risks that may apply to the particular Mortgage Investment; and
- other matters or specific features of the particular Mortgage Investment.

Each Syndicate PDS is issued as a supplement to this PDS.

A Member has the ability to select a Mortgage Investment and approve the allocation of Holding Monies to that Mortgage Investment. A Syndicate PDS providing details of the Mortgage Investment will be sent to you in accordance with your communications preference. If the Syndicate PDS is forwarded to you by email or facsimile before 5.00pm, it is taken to have been received on the Business Day that it was sent. If the Syndicate PDS is forwarded to you by post, it is taken to have been received three Business Days after it was sent.

You will have five Business Days from the date you are taken to have received the Syndicate PDS to accept the terms of the Mortgage Investment and sign and return the Syndicate Application Form to Eclipse.

3.8 Syndicate Members

Each Mortgage Investment of the Fund is held by a Syndicate of Members. The Syndicate Members have the right to hold the legal and beneficial interest in the Mortgage Investment as tenants in common or the Syndicate Members may request Eclipse as nominee hold the legal interest on the Syndicate's behalf. The Mortgage Investment is an asset of the Syndicate Members, not an asset of the Fund.

Each Mortgage Investment is separate from all other Mortgage Investments in the Fund. If a Mortgage Investment is in default, it is not shared by all Members but only those Members in the relevant Syndicate which is in default.

A Syndicate Member will receive an investment confirmation of the Mortgage Investment. For further information, see section 7.12.

3.9 Allocation of Member monies to a Syndicate

Prior to offering a Member an opportunity to become a Syndicate Member in a Mortgage Investment), Eclipse will consider as part of its allocation process if the Syndicate meets the investment preferences of the Member and the length of time that the Member's Holding Monies have been held in the Fund Account from the date of each deposit into the Fund Account.

There may be times where there are no Syndicates available to a Member. Eclipse has no obligation to ensure the availability of any Syndicate.

3.10 Becoming a Syndicate Member to fund a Construction Loan

Certain Syndicates may fund a Construction Loan.

Each progress draw and payment to the Borrower, or the Borrower's builder, is a separate tranche of the Construction Loan. In electing to become a Member of the Syndicate to fund a Construction Loan, the Member will become a Member with all existing and future Members of the Syndicate and will hold the beneficial interest as tenants in common with all the Syndicate Members of the Syndicate. The Mortgage will be registered in the name of Eclipse as nominee for the Syndicate Members.

A Member may apply to become a Syndicate Member to fund a Construction Loan where the full amount of the loan is funded by the Members at the commencement of the Syndicate. The full amount of the Mortgage Investment is held separately in the Fund Account at the commencement of the Mortgage Investment and progress payments will be released to the Borrower, or to the Borrower's builder, in tranches from this separate account. For further information, see section 4.16.

The Syndicate PDS will provide the information set out in section 3.7 together with additional information relevant to the Construction Loan.

3.11 Variation or extension of Mortgage Investment term

A Borrower may request an extension of the term of the Mortgage Investment. Upon the Borrower satisfying the Credit Committee's requirements for an extension, Eclipse will forward a Syndicate PDS to the Syndicate Members requesting their consent. Any Syndicate Member who does not agree to the extension of the term can elect to have their monies repaid.

If the Borrower's request to extend the term is not agreed to by the Credit Committee the Borrower will be required to repay the Mortgage Investment on the maturity date.

3.12 Termination of a Syndicate

Other than with the Syndicate Member's consent, a Syndicate is terminated and each Syndicate Member ceases to be a member of that Syndicate on the repayment of the outstanding loan principal and any accrued interest of the Mortgage Investment and the net proceeds of the realisation of the Mortgage Investment are distributed to those Syndicate Members.

On the termination of the Syndicate, a Syndicate Member will be paid their share of the net proceeds of the realisation of the Mortgage Investment. The Syndicate Member's share of the proceeds of the realisation of the Mortgage Investment will become Holding Monies and may be held in the Fund Account to be allocated to a new Syndicate, if available. Pending entry into another Syndicate, the Holding Monies will earn interest which will be distributed to the Member (less Eclipse's Holding Monies management fee and any bank account keeping fees). For further information, see section 6.2.

A Member may request the return of the Holding Monies. For further information, see section 3.13.

3.13 Withdrawal of Member monies and transfers

3.13.1 When may a Member withdraw monies

A Member may request to withdraw any Holding Monies that have not been committed to a Syndicate in accordance with section 3.13.2.

When a Member accepts the terms of the Mortgage Investment, their funds are committed to the Mortgage Investment for 60 days from the date of acceptance. If after 60 days the Mortgage Investment has not settled, the Member may request their Holding Monies continue to be allocated to the Mortgage Investment, be allocated to another Mortgage Investment or withdrawn from the Fund. When a Mortgage Investment has settled, a Member may not withdraw their funds from that Syndicate until the Mortgage Investment has been repaid or the Security Property realised, the proceeds are available for distribution and the Syndicate is terminated. During the term of the Mortgage Investment, the

Member may, however, transfer its interest. For further information, see section 3.14.

3.13.2 Request for withdrawal

Any request for a permitted withdrawal is made by the Member submitting a written withdrawal request form in such form as Eclipse requires from time to time. In order to process the request, Eclipse may request a Member to provide additional information or documentation as may be necessary under relevant law. Withdrawal payments will be made by Eclipse to the Member's nominated bank account within 10 Business Days after the withdrawal request form has been processed by Eclipse.

3.13.3 Return of Member monies

In its discretion, Eclipse may return the Holding Monies to the Member. This may be done without prior notice to the Member and in Eclipse's absolute discretion. Eclipse is not required to give any reason for the return. Any amount returned will be deposited into the Member's nominated bank account.

Eclipse has the right to return a Member's Holding Monies held in the Fund Account if they have not been committed to a Mortgage Investment.

3.14 Transfer of an interest in a Mortgage Investment

A Syndicate Member may only transfer their interest in a Mortgage Investment to another Member with the approval of Eclipse, in its discretion. A transfer of any interest is not effective until Eclipse registers it in the register of Fund interests. Eclipse may refuse to register a transfer of a Member's interest in a Syndicate without giving any reason for refusal.

Eclipse may charge a transfer fee. For further information, see section 6.

A Member may also transfer its Holding Monies only to another Member before it is committed to a Syndicate. Eclipse does not charge a fee to transfer Holding Monies to another Member.

A transfer request must be in writing and in the form required by Eclipse from time to time.

SECTION 4 : LENDING AND MORTGAGE INVESTMENTS

4.1 Investment objective

The Fund aims to provide Members with stable and recurring income with capital stability and low volatility from Mortgage Investments secured by a registered Mortgage over legal interests in real property in Australia.

4.2 Investment strategy

The investment strategy of the Fund is to lend money to Borrowers on the security of a registered Mortgage over legal interests in real property in Australia.

4.3 Investment process

Prospective Borrowers seeking finance will submit an application to Eclipse for assessment under its credit approval process. The Credit Committee will review each loan in accordance with the procedures outlined in section 4.14.

Subject to the prospective Borrower's application satisfying the Credit Committee's lending criteria and receiving final loan approval, the Mortgage Investment will be offered to Members and the Syndicate PDS will provide details of the Mortgage Investment.

4.4 Loan purposes and Borrower profile

Eclipse specialises in lending to investors, business people, professionals, select specialist developers and joint venturers. Some Borrowers prefer to borrow for short terms or independently of their banks and other lenders who may apply different lending and management criteria to investment and commercial loans structured for short term interest only facilities.

Although Eclipse holds an Australian Credit Licence (ACL 238546), Eclipse does not make any loans that are regulated under the National Credit Code (NCC) other than in limited circumstances. Any such loan will be described in the Syndicate PDS.

4.5 Interest rates

Interest rates and fees payable by Borrowers vary between Mortgage Investments and are set out in the Syndicate PDS. Interest rates are set by Eclipse as part of its credit assessment process having regard to factors such as the prevailing market rates, the type of loan, the nature of the security provided, the loan terms and conditions, the identity of the Borrower (including loan servicing and credit record) and any other matters that Eclipse may consider relevant, in its discretion.

4.6 Mortgage Investment term

The Mortgage Investment term is generally between 12 and 36 months however, this may be longer or shorter depending on the nature of the investment. The duration of the Mortgage Investment will be stated in the Syndicate PDS.

4.7 Security

Eclipse seeks to lend money to Borrowers on the security of a registered Mortgage over the Security Property. Where appropriate, the Mortgage Investment may be further secured by additional collateral security, including personal guarantees from the directors of a Borrower, as well as a general security agreement over the assets of a Borrower.

In some circumstances, Eclipse will lend money to Borrowers on security of a second registered Mortgage over the Security Property, the particulars of which will be set out in the Syndicate PDS.

Where appropriate, a deed of priority may be entered into between Eclipse, the Borrower and any prior or subsequent mortgagee (as the case may be) or caveats and other security interests may be registered.

For Construction Loans, a tripartite agreement may also be entered into with the Borrower's builder.

4.8 Loan portfolio, type and geographical spread of Security Property

There is no limit on the number, geographical location or type of commercial loans that may be considered, subject to the loan satisfying the Credit Committee's lending criteria.

Eclipse may accept residential, commercial, retail or industrial properties, as well as vacant land and select construction projects as a Security Property for a Mortgage Investment. The Security Property may be situated anywhere in Australia however it is anticipated that they will be located predominantly in metropolitan areas.

Certain property types do not normally provide adequate security, such as premises used for specialist purposes, amusement parks, service stations, hotels, restaurants or caravan parks. These property types generally do not satisfy the Credit Committee's lending criteria.

Details of its diversified portfolio of Mortgage Investments are available at Eclipse's website at www.eprudentmortgages.com.au.

4.9 Maximum Loan to Valuation Ratios (LVRs)

As from the date of this PDS the maximum LVR for a Mortgage Investment secured by a first registered Mortgage must not exceed 65% of its independent value determined on an 'as is' basis. The maximum LVR for a Construction Loan must not exceed 65% on an 'as is' basis and an 'as if complete' basis.

The maximum LVR for a Mortgage Investment secured by a second registered Mortgage, including for a Construction Loan, must not exceed 80% on an 'as is' basis when aggregated with the first Mortgage advance.

4.10 Valuation Policy

Eclipse will only accept valuations that meet its valuer and valuation report requirements which are briefly described below. A copy of Eclipse's Valuation Policy is available via Eclipse's website at www.eprudentmortgages.com.au or by contacting Eclipse in accordance with the communications policy in section 7.12. The Valuation Policy also discloses the processes that Eclipse uses to form its view on the value of the Security Property.

4.11 Valuers

A formal valuation is obtained from an independent valuer who meets the criteria set out in the Valuation Policy and has been selected for admission to Eclipse's valuer panel.

Admission to Eclipse's valuer panel is on the basis that the valuer has a minimum of five years' experience valuing particular categories of property, together with evidence of membership of an appropriate professional body in the State which the Security Property is situated and the valuer holding appropriate professional indemnity insurance.

All procedures for dealing with any perceived conflict of interest must have been followed in line with the Management of Conflicts of Interest Policy adopted by Eclipse.

For more information, see Disclosure Principle 5: Valuation Policy.

4.12 Valuations

Eclipse provides detailed instructions to a valuer that are specific to the Security Property and the particular valuation criteria the valuer is to meet.

The valuation report must include a statement that the valuation complies with all relevant industry standards and codes.

A current Valuer General's assessment may be accepted where the LVR does not exceed 30% of the

land value assessed by the Valuer General. This will be stated in the relevant Syndicate PDS.

A valuation is to be updated at least every two years or at any time as deemed by Eclipse. No Member may be placed into a Syndicate if the valuation report is more than six months old. This does not apply for Construction Loans.

When a Mortgage Investment is renewed, Eclipse assesses on a case by case basis whether an updated valuation is required. A valuation will be obtained if:

- the existing valuation is older than two years;
- Eclipse considers any real estate market decline may have impacted the value of the Security Property and the LVR (including but not limited to where this may have caused a material breach of a loan covenant); or
- a Syndicate Member transfers their interest in the Syndicate.

Any variation between the valuation of the Security Property and the Valuation Policy adopted by Eclipse will be disclosed in the Syndicate PDS.

4.13 Insurances

Eclipse has procedures in place to ensure improvements on the Security Property are insured for the replacement value at the commencement of the Mortgage Investment and regularly monitors the expiry dates of those policies.

In the event a Borrower fails to provide evidence that an insurance policy has been renewed, Eclipse will obtain an insurance policy on the Borrower's behalf to ensure that the Security Property is insured for its replacement value.

Borrowers are required to maintain property insurance but are not required to take out mortgage insurance.

4.14 Other lending policies

The Credit Committee has the primary responsibility to ensure that Mortgage Investments satisfy the lending criteria being:

- the type, quality and value of the Security Property complies with the Constitution;
- a credit check is undertaken in relation to the Borrower applying for funding; and
- the legal title of the Security Property will be vested in the Syndicate Members (or their nominee provided in the Syndicate PDS).

4.15 Credit checks

Before a Mortgage Investment is made, a credit check must be undertaken in respect of the Borrower and any guarantor that is guaranteeing the performance of the particular Mortgage Investment.

Eclipse assesses the financial assets and income of the Borrower and any guarantor, the income produced by the property and any other matter considered relevant by the Credit Committee.

4.16 Construction Loans

In assessing a Construction Loan, Eclipse undertakes due diligence of the Borrower and the Borrower's builder. The Credit Committee will assess the project and its marketability and saleability upon completion, with a view to ensuring an acceptable LVR is maintained during the course of the construction. For loans made after the date of this PDS, the LVR will not exceed 65% of the independent value of the Security Property on an 'as is' basis and 'as if complete' basis at any time during the construction phase. These documents may include a tripartite agreement with the Borrower's builder.

The standard loan documents provide that the cost of construction must be assessed by an independent quantity surveyor and progress draw funds are only released to the Borrower, or the Borrower's builder, when works are completed to an agreed stage. The construction must comply with all the necessary approvals and statutory requirements applicable at that time. The works are inspected by the quantity surveyor at each stage and after payment of a progress draw the balance of the cost to complete must be retained and forms part of the remaining undrawn amount of the loan.

Each progress draw and payment is dealt with as a separate tranche of the loan and stage in the construction program. As Eclipse obtains an updated quantity surveyor report at each progress draw, the cost to complete is known at all times.

4.17 Labour standards and environmental, social and ethical investing

Eclipse generally does not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising a Mortgage Investment. However, to the extent that it believes those matters may affect the value or performance of a Mortgage Investment, they may be considered.

Eclipse does not have a predetermined view as to what constitutes a labour standard or environmental, social or ethical consideration, as these will be determined on a case-by-case basis.

4.18 Management of the Mortgage Investment

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

Eclipse must manage the Syndicate in accordance with the requirements of the Constitution, this PDS, the Syndicate PDS and the Corporations Act.

The management process includes Eclipse monitoring and managing the mortgage, collecting and distributing interest, collating information for and reviewing valuations and maintaining a register of the panel valuers' insurances and building insurances.

4.19 Default management

Borrowers may be late or fail to pay interest or meet their repayment obligations. Eclipse employs discretion in deciding the action to be taken, the timetable and whether the payment of interest at the higher rate is to apply to a default situation. Eclipse monitors the dates for payment of interest and, if payment is not received, will:

- follow up overdue payments by telephone (and usually within seven Business Days after the due payment date);
- follow up continuing overdue payments in writing (and usually within 14 Business Days after the due payment date); and
- notify Syndicate Members of the relevant Syndicate within 21 Business Days, if the payment has not been received.

If the Borrower fails to pay the overdue payments, Eclipse will:

- issue instructions to the Fund's solicitors to prepare and issue default notices;
- if the Borrower fails to comply with the issued default notice, institute legal proceedings for possession of the Security Property;
- consider whether or not to appoint a receiver; and
- sell the Security Property once a possession order has been obtained.

As part of Eclipse's default management process, Eclipse will inform the Syndicate Members of the circumstances of a default.

4.20 Realisation and enforcement of Mortgage Investments

Where an enforcement right in respect of a Mortgage Investment becomes exercisable by the Syndicate Members, whether by the default of the Borrower or the occurrence of an event that constitutes a default, the Syndicate Members are entitled to exercise that right subject to the general power of management of the Mortgage Investment conferred on Eclipse by each Syndicate Member.

Eclipse may call a meeting of all Syndicate Members before it exercises a right or power of enforcement and those Syndicate Members may direct Eclipse by special resolution to exercise its powers in a particular manner.

If the Syndicate Members do direct Eclipse to exercise a power in a particular way, Eclipse may require to be indemnified against any losses, costs, expenses, claims or liabilities which Eclipse may incur following that direction.

As each Syndicate is separate from any other Syndicate, a default under one Mortgage Investment is borne by the relevant Syndicate Members and is not shared by the members of any other Syndicate.

4.21 Loans in default

The Credit Committee continually monitors the level of Mortgage Investments that are in default and reviews the defaults on a weekly basis. A summary of defaults is disclosed in quarterly reports circulated to the Board of Directors and the Compliance Committee.

Default may be interest arrears for non-payment of monthly interest for a period of more than 30 days or principal default due to non-payment of principal on the maturity date. Where a loan is in interest arrears or principal default, Eclipse has a range of options including the enforcement of the security and sale of the Security Property. For further information, see sections 4.19 and 4.20.

As at 31 August 2017, the Fund had:

- 114 Mortgage Investments;
- three loans in interest arrears for more than 30 days. These loans represent 1.92% of the value of the Fund and 2.63% of the total number of Mortgage Investments in the Fund; and
- 14 loans that are in principal default for more than 30 days. These loans represent 8.87% of the value of the Fund and 12.28% of the total number of Mortgage Investments in the Fund.

SECTION 5 : RISKS

All investments are subject to varying risks and can rise and fall in value. Changes in value can be significant and can happen quickly.

In preparing this PDS, Eclipse has not taken into account your investment objectives, financial position or particular needs. Before making an investment decision on the basis of this PDS and a Syndicate PDS, you need to consider or obtain advice about whether this investment is suitable in light of your personal circumstances.

Applicants should be aware that there is no guarantee that the implementation of the investment objective or strategy will succeed and instead may result in losses to Members. The return of capital and the performance of the Fund are not guaranteed by any person or organisation, including Eclipse, RF Capital and their related entities and associates. Therefore, each Applicant should carefully consider the risks of investing and where necessary seek professional advice as to the suitability of investing in the Fund.

Applicants should be aware that the risks may result in possible loss of income or capital (or both) and may involve delays in repayment or non-repayment.

Types of risk include:

- risks that relate to the lending on mortgages generally;
- risks that are specific to being a Member in the Fund; and
- risks that are specific to being a Syndicate Member in a Mortgage Investment.

5.1 General risks of lending on Mortgages

The Fund lends to Borrowers involved in a wide variety of industries and activities. The ability of these Borrowers to meet mortgage interest payments and to repay the amount borrowed may be influenced by factors over which Eclipse or the Fund has no control.

Negative changes in economic conditions such as recession or depression, or the availability of credit, could adversely affect real estate values or the ability of the Borrower to refinance a Mortgage Investment. Other factors such as litigation, the changes in taxation policies, the movement in interest rates, the provision of Government regulations and guarantees in relation to certain types of deposits and statutory requirements may impact on the return Members may receive from their investment in a Mortgage

Investment through the Fund, when compared with other possible investments.

Eclipse aims to manage these risks with experienced personnel who monitor the economy, the real estate market and the regulatory environment as well as each Mortgage Investment to ensure there is continued compliance with Eclipse's lending guidelines which are regularly monitored and reviewed to take into consideration current market conditions.

5.2 Risks associated with being a Member in the Fund

The specific risks associated with being a Member include the possibility of:

5.2.1 Fund investment objective risk

There is a risk that the Fund fails to meet its investment objective with the consequence that a Member's investment objectives may not be met by an investment in a Mortgage Investment through the Fund. This risk is mitigated by the adoption of responsible lending policies and practices by Eclipse. Past performance is not indicative of future performance.

5.2.2 Dependence on Eclipse and key personnel

The success of the Fund or the relevant Syndicate depends on the ability of Eclipse and its key personnel to develop and implement investment strategies that achieve the Fund's investment objectives.

Eclipse makes all decisions with respect to the Borrower approval by way of its Credit Committee and credit approval process. While the final decision to accept any offered Mortgage Investment is with the Member, Members will be dependent on Eclipse's judgment and abilities in approving Mortgage Investments into which Members choose to invest. There is no assurance that Eclipse will be successful in implementing the Fund's investment strategy, key personnel will remain engaged by Eclipse or that Borrowers approved by Eclipse will meet the required interest payments or repay the loan in full and on time.

Accordingly, no person should invest in the Fund or a Syndicate unless willing to entrust all aspects of the loan approval process as well as accepting that factors outside Eclipse's control can impact a Mortgage Investment's income and capital position once a Member selects an offered Mortgage Investment.

5.2.3 Origination risk

The Credit Committee must follow the credit approval process that sets out the lending criteria and adopts a conservative approach to minimise risk to Members. There may be times where loans do meet the lending criteria, however there are no Syndicates available.

In addition, interest rates are set by Eclipse having regard to factors such as prevailing market rates, the type of loan, the nature of the security provided, the loan terms and conditions, the identity of the Borrower and any other matters that Eclipse may consider relevant, in its discretion. Decreases in market interest rates in the Australian market may result in the Borrower not accepting the interest rate set by Eclipse and not proceeding with the Mortgage Investment. There may be times where the interest rate set by Eclipse exceeds a Borrower's acceptable rate and there are no Syndicates available.

No guarantees are made that a Syndicate matching a Member's investment preferences will be available.

5.2.4 Allocation risk

There may be times where there are no Syndicates available to a Member. Eclipse has no obligation to ensure the availability of any Syndicate.

5.2.5 Technology risk

Eclipse uses a variety of information technologies to manage the Fund and manage risks in a cost-effective way, either internally or via external service providers. These technologies help analyse and store data, automate compliance processes, monitor applications and transfers and streamline regulatory reporting. However, these technologies can fail (e.g. server issues) leading to a reduced Member experience or even potential loss.

Technologies are also used to protect the Fund from malicious cyber activity such as the commission of traditional crimes, such as fraud and forgery (e.g. identity, data theft or disclosure of personal information) or activity directed at computer systems.

Modern reliance on technology requires effective human oversight and cyber resilience (the ability to prepare for, respond to and recover from malicious cyber activity) in order to reduce the risk of computer system failure or malicious use of technology and protect the value of Members' investments.

5.2.6 Operational risk

Operational risk includes the possibility of fraud, system failure, regulatory requirements,

documentation risk, legal issues and other unforeseen circumstances.

These risks have been considered by Eclipse and are mitigated through the compliance with the Constitution, the Compliance Plan and Eclipse's internal risk management processes.

5.3 Risks associated with being a Syndicate Member in a Mortgage Investment

The specific risks associated with any Mortgage Investment made through the Fund include:

5.3.1 Settlement risk

Once a Member's accepts the terms of the Mortgage Investment, their funds are committed to the Mortgage Investment for 60 days from the date of acceptance.

The settlement of the Mortgage Investment may be protracted or it may not settle at all. While the funds are committed but not invested, they will continue to earn income at the rate applicable to Holding Monies, not at the rate that the Mortgage Investment provides.

5.3.2 Borrower default / credit risk

A Syndicate Member holds, with other Members of that Syndicate, a registered Mortgage over the Security Property.

If a Borrower defaults on the payment of interest or fails to repay the principal when due under the Mortgage Investment, an enforcement right becomes exercisable and the Members may direct Eclipse (as its agent) to enforce the Mortgage Investment. In some cases, the enforcement action may result in Syndicate Members incurring a capital loss if the realised property value of the Security Property has decreased since the date of the initial valuation.

Consideration by Eclipse is given to the Borrower's ability to meet its obligations under the Mortgage Investment during the loan assessment and approval process.

5.3.3 Liquidity risk

Due to the duration of the Mortgage Investments, the Fund operates as a non-liquid managed investment scheme. As a result, a Syndicate Member has no right to withdraw from the Syndicate of which it is a Syndicate Member, except on the termination of the Syndicate. Any factor that delays repayment of the Mortgage Investment and termination of the Syndicate may affect the liquidity for the Member.

In addition, the Security Property is real property which may not be capable of being readily sold or the amount realised on the sale of the Security Property

is insufficient to repay the particular Mortgage Investment in full.

5.3.4 Early repayment

A Borrower may request an early repayment of the Mortgage Investment and a Member may not receive the full benefit of the term of the Mortgage Investment stated in the Syndicate PDS. If a Borrower requests an early repayment of the Mortgage Investment, a fee will be payable by the Borrower to the Member. The amount of the fee will be disclosed in the Syndicate PDS.

5.3.5 Overstated valuations

This is a risk to Syndicate Members' income and capital should the Borrower default and the amount realised on sale of the Security Property is insufficient to repay the Mortgage Investment in full. Eclipse seeks to mitigate this risk by ensuring strict adherences with the LVR criteria and that no funds are lent to a Borrower until an acceptable valuation is obtained from a panel valuer or as otherwise stated in the Syndicate PDS. Eclipse also requires the valuer and the valuation report to meet the criteria set out in sections 4.10 to 4.12.

5.3.6 Inadequate property insurance

There is a risk to Syndicate Members' income and capital if the Security Property is damaged or destroyed and the Borrower holds inadequate or no property insurance cover.

Eclipse has procedures in place to ensure all Borrowers maintain adequate property insurance for the Security Property.

In the event a Borrower fails to provide evidence that the Security Property has a current and adequate insurance policy in place, Eclipse will obtain an insurance policy on the Borrower's behalf to ensure that the Security Property is insured for its replacement value. In this case, various factors might influence the cost of maintaining insurance for the Security Property or the extent of cover available and there may be some circumstances where Eclipse is unable to obtain insurance for the Security Property.

5.3.7 Decline in the property market

There is the risk that negative movements in the property market may impact on the capacity of the Syndicate to fully recover the particular Mortgage Investment on the sale of the Security Property when an enforcement right is exercised as the result of an event of default.

Eclipse seeks to manage this risk by strictly complying with its lending and LVR criteria, which are

regularly monitored and reviewed to take into consideration current market conditions.

5.3.8 Increases in market interest rates

While the interest rate is a fixed rate for the duration of the Mortgage Investment, increases in interest rates in the Australian market may result in the Borrower being unable to service the interest payments (due to other funding obligations it may have) or to arrange a refinance at the end of the term of the particular Mortgage Investment.

Consideration by Eclipse is given to the interest rate risk during the loan assessment and approval process.

5.3.9 Additional risks associated with construction lending

A Construction Loan generally carries a greater risk due to factors outside the control of Eclipse, including timing and completion of the construction. Construction Loans are extended under a Syndicate with multiple tranches and the Member will become a Member with all existing and future Members of the Syndicate.

Eclipse does not accept any additional Members to a Syndicate if the Mortgage Investment is in default. If during the course of construction the Construction Loan is in default, whether by the default of the Borrower or the occurrence of an event that constitutes a default, no further tranches will be advanced to the Borrower until the default is rectified. If the default is not rectified, an enforcement right in respect of the Construction Loan becomes exercisable.

At the time of the enforcement right, the Security Property might consist of a partially constructed project for which there may be few or no buyers. There is a risk to relevant Syndicate Members' income and capital should the Security Property not be sold or the amount realised on the sale of the Security Property is insufficient to repay the particular Mortgage Investment in full.

After the consideration of all available options, Eclipse may determine that the project, if completed, would be more marketable and increase the saleability of the Security Property. In such a case, Eclipse may seek to obtain the Syndicate Members' instructions to complete the project. If it is agreed by the Syndicate Members to finish the project, by contributing additional funds to achieve completion, before realising the Mortgage Investment, there could be additional risks to the Syndicate Members' income and capital if the cost of construction is greater than budgeted or there are delays in completing the construction. For further information, see section 5.3.10.

Construction Loans require a high degree of expertise in both their assessment and on-going management.

Eclipse relies on the collective experience and expertise of its lending staff and the Credit Committee to approve and manage these loans. Additional procedures are applied to all Construction Loans as provided in section 4.16.

5.3.10 'As if complete' valuation risk

In considering Construction Loans, Eclipse undertakes due diligence of the Borrower and the Borrower's builder and may enter into a tripartite agreement with these parties. Eclipse will assess the project and its marketability and saleability upon completion to minimise risk. For Construction Loans, the amount advanced is up to the maximum LVR of 65% of the 'as is' value and the 'as if complete' value of the Security Property.

Eclipse will ensure that Construction Loans include allowances for construction costs, interest, and a provision for contingencies and ensure that the undrawn amount of the loan is generally equal to or more than the cost to complete the project.

Risks in this type of lending include the risk that:

- the Security Property will decline in value during the construction period;
- the cost of the construction will be greater than budgeted;
- delays in the construction may add to interest and other costs;
- default by or insolvency of the builder;
- there may be insufficient materials or expertise available to complete the construction; or
- market conditions on the sale of the completed construction may have deteriorated.

If the Security Property declines in value during the course of construction and exceeds the maximum LVR in the Syndicate PDS or the cost of the construction exceeds the projected cost to complete, the Borrower will be asked to provide additional contributions towards the cost of construction. There is the risk that the Borrower will not have sufficient resources available to provide the equity required.

Eclipse endeavours to mitigate such risks by ensuring that project costs are independently assessed by a suitably qualified valuer and quantity surveyor and generally ensuring there is a contingency allowance within the Construction Loan.

Eclipse assesses the experience of all parties associated with the construction when approving the

loan as well as considering the capacity of the Borrower to inject further capital into the construction should such a need arise. Eclipse regularly inspects the work in progress and the interim certificates issued.

Further details on how Eclipse assesses loan applications are provided in section 4.14.

5.3.11 Additional second mortgage risks

Applicants should be aware that, in general terms, an investment in a Mortgage Investment secured by a second registered Mortgage may carry risks higher than a Mortgage Investment secured by a first registered Mortgage as the first lender's rights of repayment takes priority over the second lenders. Reflecting this, a second Mortgage usually has a higher interest rate than a first Mortgage.

Eclipse seeks to reduce any higher risk of a Mortgage Investment secured by a second registered Mortgage by requiring the aggregate of the amounts lent on both the first Mortgage and the second Mortgage (and any equal ranking mortgages) does not exceed 80% of the valuation of the Security Property.

5.3.12 Litigation risk

This is the risk that any lender faces when it takes legal action to enforce the Mortgage by the sale of the Security Property. Borrowers may defend the enforcement proceedings successfully in whole or in part, in light of judicial interpretation of the borrowing and enforcement arrangements, which may vary over time. In addition, Courts are vested with wide discretionary powers, and these may be exercised in favour of the Borrower. If the enforcement proceedings become protracted, it may be many months before possession of the Security Property is delivered and ultimately sold and may result in the amount realised on the sale of the Security Property being insufficient to repay the particular Mortgage Investment in full.

5.3.13 External dispute resolution (EDR) risk

Eclipse is a member of the EDR scheme, Credit and Investments Ombudsman Limited (CIO), in accordance with its obligations in respect of the Members. For this reason, CIO will also consider any complaint that is lodged by a Borrower from the Fund, if they consider the nature of the complaint falls under their terms of reference. This creates the risk that either during the course of a Mortgage Investment, or more typically when Eclipse seeks to enforce the Mortgage Investment, the Borrower lodges a complaint with CIO. On receipt of a complaint, the CIO will order that any active default process and enforcement action be delayed while the CIO considers the complaint. This delay could be significant and is outside Eclipse's control.

5.3.14 Documentation risk

There is a risk of deficiency in the accuracy of documentation, including the mortgage documentation entered into for the Syndicate which could, in certain circumstances, adversely affect the recoverability of monies invested by the Syndicate Members and reduce the value of the investment.

Eclipse endeavours to mitigate this risk by ensuring that all template loan and security documents are reviewed periodically by a suitably qualified solicitor.

5.3.15 Related party lending

In order to mitigate any risk from lending to related parties, Eclipse has not and does not intend to lend to any of its related parties, including any of the Directors of Eclipse, RF Capital, their related entities and their respective spouses or employees.

5.3.16 Additional or specific risks associated with Mortgage Investments

If Eclipse identifies a particular Mortgage Investment offered to Members carries additional or specific risks not referred to above, these will be referred to in the Syndicate PDS.

5.3.17 National Credit Code (NCC)

Although Eclipse is licensed to make loans regulated under the NCC, it will do so only in exceptional cases. The Syndicate PDS will set out the reasons why a regulated loan is being made and the risks associated with it, particularly should the loan go into default. In general terms, there are limits on the amount of default interest that may be charged and the actions that Eclipse may have to take in enforcing a regulated loan are more demanding and may take longer to implement. In addition, the terms of the loan may be changed if the Borrower is having or will have trouble making payments by reason of financial hardship caused by illness, unemployment or other reasonable cause.

General Note

This section 5 identifies some of the key risks associated with an investment in the Fund and in particular Mortgage Investments. Intending Members should read the whole of this PDS and the relevant Syndicate PDS in order to fully understand such matters.

Investment in the Fund is not considered speculative by Eclipse. However, all investments involve a degree of risk. No person makes assurances that the Fund's investment objective will be achieved and each Applicant and Member accepts the chance that they may lose part of their investment or their entire investment.

SECTION 6 : FEES AND OTHER COSTS

6.1 Consumer advisory warning

DID YOU KNOW?

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

For example, total annual fees and costs of 2% of your investment 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 your 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.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

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 PDS. This is particularly so, given that distributions to investors can never be more than the interest rate applicable to their selected Mortgage Investment. In addition, there are no contribution fees for the Fund. For an additional description of the fees and costs charged by the Fund, please read the section below.

6.2 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.

You should read all the information about fees and costs, because it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees when your money moves in or out of the Fund		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Costs for managing your investment		
<i>Holding Monies management fee</i> on Holding Monies that are accepted into the Fund Account before they are invested into a Mortgage Investment or following repayment of the loan principal and any accrued interest of the Mortgage Investment	Nil to 1.10% per annum (inclusive of GST, less applicable RITCs) of Holding Monies accepted by Eclipse and held in the Fund Account. Note 1	This fee is payable from the Fund Account at the end of each month and is deducted from the interest earned on the Holding Monies. This fee will be charged only for the period while Holding Monies are held in the Fund Account.
<i>Mortgage Investment management fee</i> on monies while invested in a Mortgage Investment	Nil to 1.10% per annum (inclusive of GST, less applicable RITCs) of the monies in a Mortgage Investment. Note 2	This fee is deducted from the interest received by the Member, typically on a monthly basis and in the manner as provided in the Syndicate PDS. The amount of fee to be charged will be disclosed in the Syndicate PDS and may be nil.
<i>Mortgage interest account fee</i>	Nil	Not applicable
<i>Other expenses and reimbursements</i>	Nil Note 3	Not applicable
<i>Indirect costs - transferors</i>	Other management costs – fees, costs and expenses paid by the transfer of an interest to Eclipse. These costs may vary. Note 4	This fee is payable by the transferor Member before the transfer is registered by Eclipse.
<i>Indirect costs - Borrowers</i>	Other management costs – fees, costs and expenses paid by the Borrower to Eclipse. These vary from loan to loan and are set out in the relevant Syndicate PDS. Note 5	This cost is paid by the Borrower at the times provided in the loan documentation.
Service fees Note 5, Note 6		
<i>Investment switching fee</i> The fee for changing investment options	Nil	Not applicable

- Note 1 The Holding Monies management fee is subject to variation and takes into account the current prevailing interest rates in the market. As at the date of this PDS, Eclipse charges a Holding Monies management fee of 0.15% per annum (inclusive of GST, less applicable RITCs).
EXAMPLE — Eclipse may earn, on behalf of its investors, a weighted monthly average interest rate of 3.0% for the one month the monies are held in the Fund Account. For Holding Monies of \$50,000 accepted by Eclipse and held in the Fund Account for that same month, the Holding Monies would earn total interest of \$125.00 per month. For this working example, if the interest rate earned on the Holding Monies is 3.0%, Eclipse would be entitled to charge a maximum fee of 1.1% (inclusive of GST, less applicable RITCs) and the investor would be entitled to receive 1.9% being the sum of \$79.17 per month. Based on the maximum fee of 1.10% (inclusive of GST, less applicable RITCs), Eclipse is entitled to receive the sum of \$45.83 per month.
- Note 2 *EXAMPLE – For monies of \$50,000 invested in a Mortgage Investment, based on a fee of 1.10% (inclusive of GST, less applicable RITCs), Eclipse is entitled to a fee of \$550 per annum (less RITCs).*
- Note 3 Eclipse meets all of the day to day operating expenses of the Fund from its own resources. Abnormal expenses, such as litigation expenses, are reimbursable from the Fund. For further information, see 'Additional explanation of fees and costs'.
- Note 4 Indirect costs cover the amounts that Eclipse receives by way of fees and charges from transferors that it retains for its own benefit. For further information, see 'Transfer fees and charges payable by transferor'.
- Note 5 Indirect costs cover the amounts that Eclipse receives by way of fees and charges from Borrowers that it retains for its own benefit. For further information, see 'Fees and charges payable by the Borrower'.
- Note 6 See 'Additional explanation of fees and costs' for further information as to the fees that Eclipse may charge.
- Note 7 See 'Additional explanation of fees and costs' and 'Adviser payments' for the position of fees payable to advisers.

6.3 Transfer fees and charges payable by the transferor

If a Member transfers all or part of its interest in a Mortgage Investment the following fees and charges may be payable to Eclipse:

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees payable by a transferor on the transfer of an interest in a Mortgage Investment		
<i>Transfer fee</i> The fee for a Member transferring their interest in a Mortgage Investment to another Member	1.10% (inclusive of GST, less applicable RITCs) of the value of the transferor's interest in the Mortgage Investment being transferred to another Member. <i>EXAMPLE – A person has invested \$50,000 into a Mortgage Investment and wishes to transfer their interest to another person. The maximum fee Eclipse is entitled to for the transfer is \$550 (inclusive of GST).</i>	This fee is payable by the transferor Member before the transfer is registered by Eclipse.
<i>Valuation cost</i> The cost to obtain a current valuation report of the security property to facilitate the transfer by a Member of their interest in the Mortgage Investment to another Member in the Syndicate Mortgage Investment.	The cost of the valuation will vary depending on the location and value of the security property. A reasonable estimate of the cost of the valuation would be between \$880 and \$5,500 (inclusive of GST). This amount is an estimate only.	This cost is payable by the transferor Member and is payable before the transfer is registered by Eclipse.

6.4 Fees and charges payable by the Borrower

Eclipse is entitled to a fee equal to any fee or charges charged to a Borrower in connection with a Mortgage Investment. The amount that is charged in relation to a Mortgage Investment is set out in the Syndicate PDS. The table below sets out the types of fees and charges that may be received by Eclipse from the Borrower.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees payable by Borrowers		
<p><i>Management fee paid to Eclipse</i></p> <p>A fee payable by a Borrower to Eclipse for the Mortgage Investment (whether or not the advance is made).</p>	<p>1.65% to 3.50% of the loan amount per annum (inclusive of GST) (with a minimum fee of \$500) for negotiating, establishing, managing and concluding loans. The amount of the fee and the basis of calculation are stated in the Syndicate PDS.</p> <p><i>EXAMPLE – If an amount of \$1,500,000 is advanced to a Borrower as part of the arrangements for a construction Mortgage Investment, then based on an annual fee equivalent to 2.20% of the loan amount, Eclipse is entitled to a management fee of \$33,000 (inclusive of GST) per annum.</i></p>	<p>This fee is paid by the Borrower in the manner as provided in the letter of offer and the Syndicate PDS and may be paid on settlement of the loan advance or by equal monthly instalments for the duration of the Mortgage Investment.</p>
<p><i>Early repayment fee paid to the Member</i></p> <p>Fee payable by the Borrower to the Member for early repayment of the Mortgage Investment. The fee is generally equivalent to at least one month's and up to three months' interest at the prompt payment (lower) interest rate.</p>	<p>The amount of the fee and the basis of calculation are stated in the Syndicate PDS.</p> <p><i>EXAMPLE – If the Borrower repays the Mortgage Investment before the maturity date an early repayment fee is payable equivalent to one month's interest. If a Syndicate Member has an invested amount of \$50,000 in a Mortgage Investment and is receiving the prompt payment interest rate calculated at 7.00% per annum, the Member will receive an additional \$291.67 on repayment of the Mortgage Investment.</i></p>	<p>This fee is paid by the Borrower in the manner as provided in the Syndicate PDS and is paid to the Member on the final distribution of monies from the Syndicate.</p>
<p><i>Additional interest payment on default or late payment paid to the Member</i></p> <p>Fee payable by the Borrower to the Member for non-payment of the interest on the due date or non-payment of the Mortgage Investment on the maturity date.</p>	<p>The amount is typically calculated at the (higher) rate of 4.00% above the prompt payment interest rate. The amount of the fee and the basis of calculation are in the Syndicate PDS.</p> <p><i>EXAMPLE – If a Syndicate Member has an invested amount of \$50,000 in a Mortgage Investment and is receiving the prompt payment interest rate calculated at 7.00% per annum, if the Borrower defaults on payment of the interest on the due date the Syndicate Member will receive an additional amount of \$166.67 for that month of late interest payment (representing 4.00% per annum on the invested amount). If the loan has not been repaid on the maturity date, the Syndicate Member will receive an additional \$166.67 per month until the Mortgage Investment and the Syndicate is repaid.</i></p>	<p>This fee is paid by the Borrower in the manner as provided in the Syndicate PDS and is paid to the Member when the additional interest payment has been received from the Borrower.</p>
<p><i>Late interest administration fee</i></p> <p>Fee payable by the Borrower to Eclipse for non-payment of the interest on the due date</p>	<p>\$220 (inclusive GST) for every late payment of interest</p> <p><i>EXAMPLE – If a Borrower does not pay interest on the due date, the Borrower must pay to Eclipse the sum of \$220 (inclusive of GST).</i></p>	<p>This fee is paid by the Borrower to Eclipse when received, or on repayment of Mortgage Investment.</p>

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<p><i>Monthly default management fee paid to Eclipse</i></p> <p>The Base Fee payable by the Borrower to Eclipse to manage a default loan for non-payment of the interest on the due date or non-payment of the Mortgage Investment on the maturity date. For Mortgage Investments where there is substantial additional works involved, an hourly charge of \$265 (inclusive of GST) may apply.</p>	<p>The monthly default management fee is calculated on the following basis:</p> <ul style="list-style-type: none"> • \$1,100 (inclusive of GST) per calendar month where the amount of the Mortgage Investment is up to \$1,000,000; • \$1,375 (inclusive of GST) per calendar month where the amount of the Mortgage Investment is between \$1,000,000 to \$2,000,000; • \$1,650 (inclusive of GST) per calendar month where the amount of the Mortgage Investment exceeds \$2,000,000; and • \$1,650 (inclusive of GST) per calendar month for all construction loans. <p><i>EXAMPLE – If a Borrower has not repaid the Mortgage Investment in the sum of \$2,100,000 on the maturity date, the Borrower must pay to Eclipse the sum of \$1,650 (inclusive of GST) per calendar month for default management until the Mortgage Investment has been repaid.</i></p>	<p>This fee is paid by the Borrower to Eclipse when the default has been satisfied either on payment of outstanding interest or repayment of Mortgage Investment.</p>

Service fees

<p><i>Brokerage fee paid to the broker</i></p> <p>A mortgage broker may be entitled to receive a brokerage fee from the Borrower for introducing the Borrower to the Fund. This fee is not received or payable to Eclipse.</p>	<p>Mortgage broker fees vary from broker to broker, but are usually calculated as a percentage per annum of the amount of the loan. The amount of any brokerage fee payable in respect of a Mortgage Investment will be stated in the relevant Syndicate PDS. The fee will typically be a maximum of 1.10% (inclusive GST) of the loan amount.</p> <p><i>EXAMPLE: if a mortgage broker is entitled to a brokerage fee of 1.10% (inclusive of GST) of the loan amount and the loan amount is \$500,000 then a fee of \$5,500 (inclusive of GST) is payable by the Borrower to the broker.</i></p>	<p>This fee is paid by the Borrower and typically deducted from the loan amount on settlement and in the manner as provided in the letter of offer and the Syndicate PDS.</p>
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Important Note:

The fees and charges payable by a Borrower in respect of any Mortgage Investment and the fees and expenses of Eclipse will be set out in the Syndicate PDS.

6.5 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 one year period. You should use this table to compare this product with other managed investment products.

EXAMPLE – Eclipse Prudent Mortgage Fund		Balance of \$50,000 with contributions of \$5,000 during year
Contribution fee	Nil	Nil
PLUS Management costs	1.98% Note 1	And, for every \$50,000 you have in the Fund, you will be charged: \$990 each year Note 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 from: \$990 to \$1,089
What it costs you will depend on the investment option you choose and the fees you negotiate with your fund Note 2		

Note 1 For further information, see section 6.6.4.

Note 2 The amount charged will depend on a number of factors, including the period in which Member's monies are invested in a Mortgage Investment or are held in the Fund Account and the amount charged by the Fund in respect of any particular Mortgage Investment. These charges will be disclosed in the relevant Syndicate PDS. Members should also note that while the example refers to the amount that you will be 'charged' during a year, as explained in the table of Fees and other costs in section 6.2, it is the borrowers who are required to pay the 'indirect costs'.

The example does not apply to any particular Member or Mortgage Investment. As each Mortgage Investment is different, the Syndicate PDS will contain a breakdown of the Management costs for that loan.

6.6 Additional explanation of fees and costs

6.6.1 Management costs

Eclipse must disclose the management costs of the Fund, that is, any amount for administering the Fund, the other expenses and reimbursements in relation to the managed investment scheme and indirect costs. Management costs do not include transactional and operational costs or costs that an Applicant would incur if he or she invested directly in the asset, in this case the Mortgage Investment. Management costs include the annual fee that is payable and any other expenses and reimbursements met from the assets of the Fund. Eclipse is also entitled to charge an amount of not more 16.5% (inclusive of GST, less applicable RITCS) of the interest, if any, earned and credited to the Fund Account. As at the date of this PDS, Eclipse does not charge this fee.

6.6.2 Expenses payable by Eclipse

Eclipse meets all of the expenses of the Fund from its own resources unless any particular expense is specifically referred to in the Syndicate PDS as being payable by the Syndicate Members. If a commission is payable to a financial adviser on investment referrals, it is paid separately by Eclipse from its own resources. All expenses incurred by Eclipse in connection with a 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.

6.6.3 Expenses payable to Eclipse in the event of a Mortgage Investment default

If there is a default under a Mortgage Investment in which the Syndicate Members have 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 Eclipse (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, borrower complaints handling, 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 Eclipse while

the Mortgage Investment was in default) are to be paid prior to payment of interest and principal to Syndicate Members.

6.6.4 Indirect costs

Indirect costs are any amount that Eclipse knows, reasonably ought to know; or, where this is not the case, may reasonably estimate will directly or indirectly reduce the return on the product that is paid from, or the amount or value of, the income of or property attributable to the investment, or an 'interposed vehicle' in or through which the property attributable to the investment is invested. These cover amounts that Eclipse receives by way of fees and charges from Borrowers that it retains for its own benefit. Eclipse must tell you about these and will do so, in respect of any particular Mortgage Investment in the Syndicate PDS.

For the purpose of disclosing the indirect costs component of the management costs in the 'Example of annual fees and costs' in section 6.5, Eclipse has calculated the fees and charges it received during the last financial year and has shown these as a percentage of the Fund's net asset value during that year. The indirect costs for that year were 1.88% of the average aggregate net value of the Fund property and the Mortgage Investments. For that year the management fees represented 0.10% of the average aggregate net value of the Fund property and the Mortgage Investments. The aggregate, being 1.98%, represents the indirect cost ratio (**ICR**) of the Fund.

Applicants should note that the indirect costs (and the ICR) for the Fund as a whole may be significantly different from those in respect of any one or more Mortgage Investments. You are therefore advised to consider the disclosure of fees and costs, including the management costs charged or chargeable in respect of a Mortgage Investment, in the Syndicate PDS before investing.

6.6.5 Changes to fees

If Eclipse 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 Syndicate PDS. For other Members, Eclipse will give not less than 30 days notice before it makes any such change.

6.6.6 Adviser payments

Payments to financial advisers and intermediaries

The laws commonly known as the Future of Financial Advice (**FoFA**) legislation contains provisions that regulate and, in some circumstances, prohibit payments to financial advisers and intermediaries by product issuers. Any arrangements made by Eclipse to make payments such as commissions to financial advisers and intermediaries, will be entered into in compliance with the FoFA legislation or will comply with the FoFA provisions for the payment of existing arrangements to be paid at a future time. Any such payment is paid by Eclipse from its own funds and not by the Member.

Payments to your financial adviser

Your adviser may charge you fees and costs for providing you with initial and ongoing advice in connection with your investment in the Fund or in a particular Mortgage Investment. These fees and costs are payable separately by the Member and are not paid out of the Fund. Advice fees apply on an individually negotiated basis, so you should speak to your financial adviser about any advice fee that applies. Details of the fees and costs charged by your financial adviser, as well as the manner in which an advice fee will be paid by you, will be in the financial services guide and statement of advice which your financial adviser will give you. Always discuss fees with your financial adviser.

6.7 GST

Unless otherwise stated, all fees and charges are shown inclusive of GST net of any available Reduced Input Tax Credits (**RITCs**). The management costs are based on the GST rate (currently 10%) and available RITC however this estimate may vary from time to time depending on a variety of factors including the types of fees and costs paid and any changes to the GST rate and the RITC available. For further information, see section 7.18.

SECTION 7 : YOUR INVESTMENT IN THE FUND

7.1 Income and Distributions

Members may receive distributions from their investment from different sources and at different times.

7.2 Before investment in a particular Mortgage Investment

If your Holding Monies are received and are not immediately applied to a Mortgage Investment, Eclipse may invest the Holding Monies as authorised by the Fund's Constitution to earn interest.

The interest rate changes from time to time in line with changes in official interest rates. Members should contact Eclipse to obtain the current rate.

Any interest earned on the Holding Monies is usually distributed to the Member on the tenth calendar day in each month.

7.3 While invested in a Mortgage Investment

Interest is payable by the Borrower on the Mortgage Investment after the loan is settled. Interest is calculated at the fixed rate disclosed in the Syndicate PDS and is paid to the Fund by the Borrower monthly (or quarterly on approval) in arrears. The due date for payment by the Borrower is usually on the first calendar day of each month but otherwise as stated in the Syndicate PDS. When the interest on the Mortgage Investment is paid by the Borrower, it is credited to the Mortgage Interest Account.

Once received, Eclipse then pays the interest to the Member at the rate provided in the Syndicate PDS. In proportion to their investment, interest is usually distributed to the Member on the tenth calendar day in each month of the term. Payment is made by electronic transfer to your selected bank account or other facility capable of receiving an electronic transfer.

Syndicate Members also receive any additional interest collected by Eclipse on default or late payment of interest and/or non-payment by the Borrower of the Mortgage Investment upon payment of the additional interest by the Borrower or it is collected on repayment of the Mortgage Investment. The additional interest is usually at a rate of 4.00% above the prompt payment rate and is detailed in the Syndicate PDS.

Syndicate Members also receive any additional interest collected by Eclipse on early termination or repayment of the Mortgage Investment by the Borrower, usually being one month's additional interest at the prompt payment interest rate.

7.4 Interest rates

The interest rate payable by a Borrower is fixed for the term of the Mortgage Investment, as is the rate of return to the Members of the Syndicate. Applicants should note that interest rates may vary over time and depend on the type of loan, the Security Property and other parameters.

The current rates may be obtained by contacting Eclipse in accordance with the communications policy in section 7.12.

7.5 Repayment of Mortgage Investment

The Constitution provides that a Mortgage Investment must be repayable no later than three years after the investment date unless repayable on demand or payable at a later date as specified in the Syndicate PDS. As indicated in section 4.6, the loan term is generally between 12 and 36 months however, this may be longer or shorter depending on the nature of the Mortgage Investment. The term of each loan will be stated in the Syndicate PDS.

7.6 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 one vote. On a poll for the purpose of a written resolution, a Member has one vote for each \$100 paid by way of Application Monies;
- receive the Member's proportionate share of the net income (if any) of the Fund Account after deduction of fees to which Eclipse is entitled;
- receive the Member's proportionate share of the net income of the Mortgage Interest Account; and
- participate in the division of any surplus of assets or profits of the Fund if the Fund is terminated.

7.7 Rights of Syndicate Members

An interest in a Syndicate entitles a Syndicate Member to:

- hold the legal and beneficial title to the Mortgage Investment as tenant in common with each other Member in the Syndicate in the proportion to the amount contributed; and
- the right to participate with other Members of a Syndicate in the division of the net proceeds of realisation or repayment of any Mortgage Investment as tenants in common with each other Member in the Syndicate.

7.8 Liability of Members

The liability of a Member under the Constitution is limited to the amount paid as its Application Monies. However, the Member must meet any tax liability arising from a Member's action or inaction, or its liability for payments due and payable to Eclipse as the responsible entity of the Fund.

A Member need not indemnify Eclipse if there is a deficiency in the assets of the Fund and the Member is not liable for the claim of any creditor of Eclipse in relation to the Fund. However, you should be aware that no complete assurance can be given with regard to the above as the ultimate liability of an investor as a Member of a scheme has not been determined by the courts.

Where Eclipse acts at the direction of the Members of a Syndicate, those Members may be required to indemnify Eclipse in the circumstances referred to in section 9.11.

7.9 Limitation on Members

As a Member, you may not:

- interfere with the rights or powers of Eclipse as responsible entity of the Fund in its dealings with the assets and the Fund;
- exercise any rights, powers or privileges in respect of any part of the assets;
- lodge a caveat in respect of any property comprised in the assets; or
- require the transfer of any property comprised in the assets of the Fund.

7.10 Keeping you informed

As a Member, you will receive regular reporting as listed in the table below in line with your communication preferences.

Information you will receive as a Member

Transaction confirmation	Confirming initial and subsequent investments, the repayments of investments or the transfer of investments (including details of amounts involved and date).
Personal Applicant number	When you first invest, you will be allocated a personal number to facilitate transactions on your account and Member communications and identification.
Income distribution statements	Issued when income distributions are made.
Annual report	Includes audited financial statements for the Fund as at 30 June and will be available at www.eprudentmortgages.com.au
Annual tax statement	Issued after each 30 June, to assist in preparing your tax return.

As a Syndicate Member in a Mortgage Investment you will also receive the following:

Information you will also receive as a Syndicate Member

Investment Confirmation	Details of the Mortgage Investment within one month after the date of settlement or of any variation to the particular Mortgage Investment.
Management or Additional Information of Mortgage Investment and Syndicate information	Details of the performance of the Borrower on request by the Syndicate Member, updates of valuations, any additional information that is stated in the Syndicate PDS or other relevant facts that a Syndicate Member would reasonably expect to be informed about.
Default and Enforcement Information	Particulars of any default, breach or other relevant fact that a Syndicate Member would reasonably expect to be informed about. Eclipse will also advise the Syndicate Members of the action it takes, as their agent, in enforcing the terms of the Mortgage and if necessary the realisation of the Security Property.

7.11 Reporting and correspondence

As the Fund is a disclosing entity under the Corporations Act and is subject to regular reporting and continuous disclosure obligations, updates will be made via Eclipse's website at www.eprudentmortgages.com.au

Updated ASIC Benchmarks and Disclosure Principles reports will be made available approximately every six months to Members and Applicants.

Eclipse 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.

A Member may check the status of its investment at any time during business hours by contacting Eclipse in accordance with the communications policy in section 7.12.

7.12 Communications policy

The following forms of communication are acceptable for submitting applications, transfers or other requests (such as change of address) to:

Post

Eclipse Prudent Mortgage Corporation Limited
Level 54, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

PO Box R1297
ROYAL EXCHANGE NSW 1225

Facsimile Transmission

Facsimile number +61 2 9954 2222

Email Transmission

investor@epmcl.com.au

Eclipse will acknowledge receipt of any application, withdrawal request or transfer request. In the event an acknowledgement is not received from the Eclipse within five Business Days after submitting the request, the Applicant should assume that the request has not been received and they should contact Eclipse in accordance with the communications policy in this section 7.12.

By signing the Application Form, Applicants agree that neither Eclipse nor the Fund will be responsible for any mis-delivery or non-receipt of any instruction sent to Eclipse or the Fund but in respect of which no acknowledgment is received. Notwithstanding the method of communication, Eclipse and/or the Fund reserve the right to ask for the production of original

documents or other information to authenticate the communication.

In the case of mis-receipt or corruption of any message, the Applicant will be required to re-send the documents. Note that Applicants must use the form of document provided by Eclipse in respect of the application, transfer, withdrawal, change of investment type selection or change of other details unless such condition is waived by Eclipse.

If you are advising Eclipse via facsimile or by electronic communication in respect of instructions (including applications, transfer, withdrawal requests, change of investment type selection or change of other details) it is important to be aware that Eclipse:

- will only process your facsimile instruction or a scanned document sent by electronic means if it is received in full and has been signed by authorised signatories;
- is not responsible for any loss or delay that results from a facsimile transmission or electronic communication not being received by Eclipse;
- will not accept a facsimile receipt confirmation from the sender's facsimile machine as evidence of receipt of the facsimile; and
- does not take responsibility for any fraudulently or incorrectly completed facsimile or electronic communication instructions, and will not compensate you for any losses relating to facsimiles or electronic communications unless required by law. For example, you bear the risk that a facsimile or email may be sent by someone who knows your account details.

In the event of fraud you agree to release, discharge and indemnify Eclipse from and against all actions, claims, demands, expenses and liabilities (however they arise) suffered by you or suffered by or brought against Eclipse, concerning the facsimile or electronically communicated instructions, to the extent permitted by law.

Please note that any application or withdrawal request sent via email must attach a duly signed document.

Each Applicant will also be required to acknowledge in the Application Form and associated documents that Eclipse may disclose to any other service provider to the Fund, to any regulatory body in any applicable jurisdiction to which Eclipse is or may be subject, copies of the Applicant's application/documents and any information concerning the Applicant in their respective possession, whether provided by the Applicant to Eclipse or otherwise, including details of that Applicant's existing investments in the Fund, historical and pending investments in the Fund and

any such disclosure will not be treated as a breach of any restriction upon the disclosure of information imposed on any such person by law or otherwise.

Additional Investment Application Forms are available from Eclipse.

The default option for receiving all of your communications will be by email. If you provide Eclipse with your email address in the Application Form, you agree that we can send you information about the Fund and your communication by email (unless we are legally required to provide it to you in some other manner). It is very important that you keep your email details up to date and notify us of any change. You may change these details at any time by contacting Eclipse and completing the necessary change of details form.

You will always have the right to opt out of receiving communications by email. If you do not provide us with an email address all information about the Fund and your communications will be sent to you by post.

The annual financial statement will be available on the website at www.eprudentmortgages.com.au however, if you require it by post, please contact Eclipse by calling on + 61 2 9954 2211.

7.13 Complaints resolution

If you have a complaint about the service provided by Eclipse, you should contact Eclipse's Complaints Handling Officer on +61 2 9954 2211 or by email at investor@epmcl.com.au or send the complaint in writing to.

Complaints Handling Officer
Eclipse Prudent Mortgage Corporation Limited
Level 54, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

If you are unable to resolve the complaint or you are dissatisfied with the outcome, and you are a retail investor, you have the right to lodge the complaint to an External Dispute Resolution (**EDR**) scheme, the Credit and Investments Ombudsman Limited (**CIO**) of which we are a member.

The complaint to the CIO can be sent to:

Credit and Investments Ombudsman
Reply Paid A252
SOUTH SYDNEY NSW 1234

Or by telephoning 1800 138 422 or by facsimile +61 2 9273 8440 or by email complaints@cio.org.au

More information about CIO is obtainable on its website at www.cio.org.au.

Eclipse is committed to delivering Members an optimal level of service and welcomes feedback for service improvement.

Eclipse will address your complaint quickly, fairly and in the strictest confidence.

Your complaint will be recorded in Eclipse's complaint register.

The Member may also contact ASIC by telephone on 1300 300 630.

7.14 Privacy and personal information

Our Privacy Policy sets out our commitment in respect of the personal details provided to Eclipse and also details the way in which Eclipse may collect, hold, use and handle your personal information.

Your personal details will only be used for the purposes for which we collected it or as allowed. Your details may be used to establish the initial investment, process ongoing transactions, respond to any queries and to provide Fund reports (including changes in product features, Fund commentary and other topical information).

As well as internally using your personal details, Eclipse may disclose these details to other persons to enable it to provide services to Members. Such people include:

- third parties we appoint as service providers such as auditors, custodians and legal advisers or any of their associates; and
- third parties a Member authorises to act on their behalf in relation to their investment such as their investment consultant, financial adviser, broker or solicitor or any of their associates.

Eclipse may disclose a Member's personal information to other persons and entities as permitted under the *Privacy Act 1988* (Cth). Taxation (both Australian and international), company, anti-money laundering and counter-terrorism financing and other laws also require some of the information to be collected in connection with your application. If you do not provide the information requested or provide us with incomplete or inaccurate information, your application may not be able to be processed efficiently, or at all.

Eclipse may also use and disclose the personal information you provide for the purposes of complying with its obligations under law (such as under taxation, company and AML/CTF law).

It may be necessary for Eclipse to disclose your personal information to certain third parties (some of whom may be located overseas) in order to assist us

with one or more of our functions or activities. This may include our related companies, your representatives, government agencies, bodies or authorities (including regulatory bodies) and organisations providing services to us, such as Fund registry, Fund administration, custodial, audit, investment management, legal, customer contact, data processing, data analysis, information broking, research, investigation, insurance, website or technology services. It is not practicable to list every country in which such recipients are located but it is likely that such countries will include Canada, the United Kingdom, Cayman Islands and members of the European Union from time to time.

Eclipse aims to keep your person details as up to date and accurate as possible. If your personal details are incorrect or have changed, you should write to Eclipse.

You can find out what personal details Eclipse holds with respect to you by contacting Eclipse as per the details in the Corporate Directory.

Our Privacy Policy is available at www.eprudentmortgages.com.au or by contacting Eclipse in accordance with the communications policy in section 7.12. The Privacy Policy contains more details about your rights to access and correct personal information and to make any privacy complaints.

7.15 Anti-Money Laundering and Counter Terrorism Financing

AML/CTF law requires organisations to have implemented a relevant program with the appropriate compliance structures to manage anti-money laundering and counter terrorism financing risks. Eclipse will require Applicants to provide appropriate identification and verification details, which may include identification of underlying beneficial owner(s). Eclipse may delay or refuse to accept an application (and return any funds received with the application without interest) from an Applicant who delays or fails to produce any information requested for verification purposes or if it is concerned that the application may breach any obligation of, or cause the commission of an offence under the AML/CTF law, and it will not incur any liability to any Applicant for such delay or refusal.

An application will not be accepted or processed until all required information has been received to Eclipse's satisfaction including that all client identification procedures has been completed and any other obligations under the AML/CTF laws have been complied with. Eclipse may also require Applicants to provide additional information and identification documents to those listed in the Application Form, for example where a foreign bank account is used to make subscriptions and to receive

repayment if investments and distribution payments. This may include, but is not limited to the following information:

- for an individual – any maiden name or former name;
- for an individual – countries of citizenship and residence;
- for an individual – occupation and employer or business activity; and
- for all types of Applicants – source of funds and beneficial ownership

By applying to invest in the Fund, each Applicant warrants:

- they are not aware and have no reason to suspect that:
 - the Application Monies used to fund their investment in the Fund have been or will be derived from or related to any money laundering, terrorism financing or other illegal activities, whether prohibited under Australian law, international law or convention or by agreement ('illegal activity'); or
 - the proceeds of their investment in the Fund will be used to finance any illegal activities
- they, their agent, or their nominated representative will provide the Administrator with all additional information and assistance that may be requested in order to comply with obligations under any AML/CTF law.

7.16 Politically exposed persons (PEPs)

To comply with AML/CTF law, Eclipse requires you to disclose whether you are or have an association with a politically exposed person (PEP). A PEP is an individual who holds a prominent public position or function in a Government body or an international organisation in Australia or overseas, such as a Head of State, or Head of a Country or Government, or a Government Minister, or equivalent senior politician. A PEP can also be an immediate family member of a person referred to above, including spouse, de facto, partner, child and a child's spouse or a parent. A close associate of a PEP, i.e. any individual who is known to have joint beneficial ownership of a legal arrangement or entity is also considered to be a PEP. Where you identify as, or have an association with a PEP, we may request additional information from you.

7.17 Automatic exchange of information compliance

Each investor agrees to provide, and it is a condition of becoming a Member, certain information that

Eclipse requires in order for it to comply with any applicable law, including any foreign law.

The *Foreign Account Tax Compliance Act (FATCA)* is United States of America (**USA**) legislation that enables the Internal Revenue Service of the USA to identify and collect tax from USA residents that invest in assets through non-USA entities. The *OECD Common Reporting Standards for Automatic Exchange of Financial Account information (CRS)* is a similar global regime aimed at collecting and reporting on an investor's tax status. If you are a foreign resident of Australia for tax purposes, then you should note that the Fund will comply with its FATCA and CRS obligations by collecting, retaining and reporting information about certain investors to the ATO.

In order for the Fund to comply with its FATCA and CRS obligations, Eclipse may require potential investors to provide certain information about themselves including their country of tax residence, and may include providing their US Taxpayer Identification Number (**TIN**) or CRS status as appropriate. Further information is provided in the Application Form. If you require further information or details as to the completion of the form or relating to the implementation of FATCA and CRS, please refer to the Australian Taxation Office's guidance material link: <https://www.ato.gov.au/General/International-tax-agreements/In-detail/International-arrangements/Automatic-exchange-of-information---guidance-material/>

7.18 Taxation

The information in the following summary is intended to be of a general nature only and should only serve as a guide to the tax considerations that may arise. The summary applies only to Australian resident investors in respect of their investment in the Fund and a Mortgage Investment through the Fund. Different tax considerations may arise for non-resident investors and they should seek their own advice.

Investment, and dealing with investments, has tax implications which can be complicated and will ultimately be dependent on each individual investor's particular circumstances. You should seek independent professional advice that takes into account your personal circumstances before investing in the Fund or a Mortgage Investment through the Fund.

The following summary is based on the Australian taxation law and published guidance from the Australian Taxation Office (**ATO**) as at the issue date of this PDS and is subject to change.

The Fund will hold your interest in the Fund Account on trust for you. In respect of any interest income

derived on the Holding Monies deposited in the Fund Account, the Fund itself should not pay tax on the basis that Members are presently entitled to any interest for each income year. You should be subject to tax on your share of any interest distributed to you by the Fund.

By making an investment in the Fund, you will legally and beneficially own an interest in the underlying Mortgage Investment, together with other Syndicate Members. In this way, for Australian tax purposes, Mortgage Investments will be treated as a loan that is made directly by you and the other Syndicate Members. Further, the income received by you will be in the form of interest received directly from the Mortgage Investment. The rules in relation to the taxation of beneficiaries in a trust should not be applicable to the Mortgage Investment.

Mortgage Investment loans will qualify as financial arrangements for the purposes of the Taxation of Financial Arrangement (**TOFA**) provisions in the Australian income tax law. The TOFA provisions apply on a mandatory basis to qualifying taxpayers in respect of certain financial arrangements. Broadly, if you are subject to the TOFA provisions, or elect for them to apply to you, the TOFA provisions recognise certain gains and losses on financial arrangements on an accruals basis, which may result in a taxing point prior to the realisation of the investment.

If you are not subject to the TOFA provisions, and you have also not elected for this regime to apply in your circumstances, then you should be subject to tax on the interest on each Mortgage Investment loan when it is received by you. In this respect, the accruals taxation provisions in the Australia income tax law should not apply to you provided that the only return on the Mortgage Investment loan will be in the form of periodic interest payments and there is no inherent discount or premium on the investment.

On termination of the Mortgage Investment, you should receive any accrued interest and a repayment of the outstanding loan principal. If you make any gain on the termination of a Mortgage Investment, it may be assessable to you at the time of termination. If you make any loss on termination of a Mortgage Investment, it may be allowable to you as a deduction at the time of termination. However, there are certain circumstances when a loss on termination of a Mortgage Investment is not allowable as a deduction but rather gives rise to a capital loss. You should seek your own professional tax advice to determine the appropriate tax treatment of any gains or losses on termination of the Mortgage Investment.

You may also make gains or losses where you transfer your interest in a Mortgage Investment to another Member. You should seek professional tax advice to determine the treatment of any gains or losses that arise on the transfer of Mortgage

Investments. Stamp duty may also apply on the transfer of the Mortgage Investments in certain circumstances.

7.19 Goods and services tax

Fees and expenses incurred by the Fund, such as management costs, will generally attract Goods and Services Tax (**GST**) at the rate of 10%.

Generally, the Fund will not be entitled to claim full input tax credits for the amount of the GST incurred. However, RITCs should be available for the GST paid on the expenses incurred by the Fund.

No GST obligations arise for investors on the application, withdrawal or transfer of interests in the Fund. Distributions made by the Fund will also not be subject to GST.

7.20 Tax File Number (TFN) or Australian Business Number (ABN) notification

Applicants will be asked to provide their tax file number (**TFN**) or exemption number in the Application Form and your Australian Business Number (**ABN**) (if applicable). It is not compulsory for you to quote your TFN or ABN. However, unless exemption applies, failure by an Applicant to quote an ABN or TFN will result in tax being withheld by Eclipse on distributions paid to the Applicant at the highest marginal tax rate plus Medicare levy.

By quoting their TFN or ABN on its Application Form for the Fund, the Applicant authorises Eclipse to apply it in respect of all the Applicant's investment with the Fund, including disclosing it to the Australian Taxation Office. Collection of TFN or ABN information is authorised, and its use and disclosure is strictly regulated by the tax laws and under privacy legislation.

SECTION 8 : FUND MANAGEMENT

8.1 Eclipse

Eclipse is the Fund's Responsible Entity and administers and manages Mortgage Investments offered to Members through a Syndicate PDS as set out in this PDS.

Eclipse management personnel have extensive experience in credit investment analysis and funds management.

Eclipse is part of the RF Capital group of entities.

8.2 RF Capital

Eclipse is the retail credit division of RF Capital, a specialist alternative asset manager with global capabilities in real estate, private equity, credit, hedge fund management and hedge fund advisory.

RF Capital was established by Andrew Roberts in 2007, following the sale of Multiplex Group to Brookfield Asset Management. Multiplex was an integrated real estate and construction firm, with construction, investment, funds management, asset management and facilities management operations across the globe.

8.3 Eclipse and RF Capital senior management

The following biographies summarise the experience of the Eclipse and RF Capital senior management:



Andrew McCasker
*Eclipse Chief Executive Officer
and Executive Director of Eclipse*

Prior to joining Eclipse in June 2017, Andrew was General Manager of NAB

Private Banking in Asia and prior to this was Regional Business Executive, Institutional Bank, South Asia for NAB. Andrew has 20 years of property debt origination and structuring experience across several Australian Banks.



Michael Vella
*General Manager,
Lending and Credit*

Michael has over 30 years' experience in property, funds management, in debt

financing, commercial lending, insolvency and debt recovery at ANZ Bank, AMAL Asset Management, Mirvac Group and PPB Advisory. Michael is a former Director at PPB Advisory, a restructuring and consulting firm. Michael joined Eclipse in August 2017.



George Kostas
*RF Capital CEO and
Chairman of Eclipse*

In his role as RF Capital Chief Executive Officer, George is responsible for all

investments undertaken by the Roberts Family and the operational performance of the various businesses it owns. That includes alternative asset management company RF Capital, Roberts Constructions, Australian construction company Roberts Pizzarotti and specialist real estate fund manager and investor CorVal. Prior to this, George was chief executive of the largest privately held real estate group in the Middle East North Africa (MENA) region, the USD\$10 billion Majid Al Futtaim Properties Group.

George held executive roles with Brookfield Multiplex over 14 years in finance, treasury, strategy, mergers and acquisitions, residential property, construction and development and completed his tenure with Brookfield Multiplex in 2013 as a member of the global executive team and Managing Director of the construction and development arm in the Australasian region.



Ray Fazzolari
Chairman of the Credit Committee

Ray joined Eclipse in October 2016 and has 40 years of experience in the finance and property industry.

He is currently a director of Charter Hall Investment Management Limited as responsible entity of the Charter Hall Prime Office Fund and Charter Hall Prime Industrial Fund which has in excess of \$5.0 billion under management.

Ray was previously Chairman of the credit committees of the mortgage funds managed by Balmain NB Corp, co-head of Balmain Asset Management (which managed \$3.0 billion of distressed debt for Goldman Sachs, Morgan Stanley and Blackstone), Managing Director of Leda Holdings, and General Manager of Commercial Finance, Real Estate with Citibank.



Chris Rees
Member of the Credit Committee

Chris joined Eclipse in October 2016 and has 30 years of banking and finance experience with ANZ Bank including the role of National Head of Property & Construction Finance.

He is an adviser to and director of various companies within the TrustCapital Advisors Group, a fund manager specialising in Commercial Office property in Australia with UD\$1.5 billion under management.

SECTION 9 : ADDITIONAL INFORMATION

9.1 Fund Constitution

The Constitution provides the framework for the operation of the Fund and primarily governs the powers and duties of Eclipse, the rights and obligations of the Members and overall its relationship with Members.

The Constitution binds Eclipse and each Member and is the main source of Eclipse's relationship with 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:

- Eclipse's role as custodian of the Fund assets;
- Eclipse's appointment as Responsible Entity of the Fund;
- the provisions for the replacement or retirement of Eclipse;
- a Member's rights in the Fund (e.g. 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 how the Fund operates; 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 Eclipse or simply request a copy from Eclipse free of charge by contact Eclipse in accordance with the communications policy in section 7.12.

9.2 Compliance Plan

Eclipse has adopted a Compliance Plan for the Fund as required by the Corporations Act and a copy is lodged with ASIC as part of the registered Fund's documents.

The Compliance Plan sets out the key criteria that Eclipse will follow to ensure that it is complying with the Corporations Act 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 Eclipse's AFSL.

The Compliance Plan is required to be reviewed annually and where amendments are approved by the Board of directors, a copy of changes 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.

A copy of the Compliance Plan may be obtained from ASIC upon payment of the prescribed fee.

9.3 Compliance Committee

Eclipse has appointed a Compliance Committee to oversee compliance by Eclipse with the requirements of the Corporations Act, the Constitution and the Fund's Compliance Plan.

The role of the Compliance Committee is to:

- monitor Eclipse's compliance with the Compliance Plan and report to Eclipse;
- report to Eclipse any breach of the Corporations Act or the Constitution;
- report to ASIC where the Compliance Committee forms the view that Eclipse 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.

In accordance with the requirements of the Corporations Act, a majority of the Compliance Committee members are external to Eclipse to ensure there is appropriate external surveillance and monitoring of Eclipse and its officers and employees.

9.4 Disclosure of interests

Eclipse receives remuneration in accordance with the Constitution, this PDS and each Syndicate PDS.

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

RF Capital will be paid professional fees for any services it provides to Eclipse.

9.5 Management of conflicts of interest and related party transactions

While the Constitution does not prohibit loans being made to parties related to Eclipse, it is the current policy that no such loan will be made. However, as indicated above, Eclipse and persons associated with it may, from its or their own resources, invest in a Mortgage Investment and become a Syndicate Member. Any such investment in a Syndicate must be made, and maintained, on identical terms to the investment made by the other Members of the Syndicate.

In accordance with good governance principles and its obligations under its AFSL, Eclipse identifies and manages any perceived or potential conflict of interest that may arise in the manner identified in the management of conflicts of interest policy. That policy and the related procedures require, among other things:

- the identification of any actual or potential conflicts and the reporting of these to Eclipse's compliance officer and the Board of the responsible entity;
- the establishment and maintenance of a register of conflicts;
- the consideration of the register by the Compliance Committee on a quarterly basis; and
- the requirement that Eclipse effect and maintain professional indemnity insurance.

Eclipse has adopted a Related Party Transactions Policy that sets out the requirement that related party dealings be on not less than 'arm's length terms' or that an exemption applies to the transaction or that the dealings be approved by the Members of the Fund giving the benefit to the related party or otherwise comply with Corporations Act requirements.

9.6 Register of Members

The register of Members is maintained by Eclipse.

9.7 Custody

The Constitution authorises Eclipse to appoint an external independent agent as custodian to hold all or part of the Fund's assets on behalf of the Fund and the Members. At the date of this PDS, an external independent agent has not been appointed as a custodian. If an external independent agent is appointed as custodian, the details of the custodian will be notified to Members. That custodian would hold the Fund Account as the agent of Eclipse and

the Mortgage Investments as the nominee of the Syndicate Members.

9.8 Investment Manager

The Constitution authorises Eclipse to appoint an investment manager to manage the Fund. At the date of this PDS, an investment manager has not been appointed. If an investment manager is appointed the details of the investment manager will be notified to Members.

9.9 Powers of Eclipse

Subject to any express limitation in the Constitution, Eclipse, as the responsible entity of the Fund, has all the powers in respect of the Fund and the assets, including using the assets and credit of the Fund and doing anything else on behalf of the Fund which it could exercise or do if it were the absolute and beneficial owner of the Fund and the assets. While Eclipse has not exercised this power and has no current intention to do so, Eclipse in its capacity as responsible entity of the Fund has power to borrow (whether or not on security) and to incur all types of obligations and liabilities. Eclipse may also authorise any person to act as its agent or delegate.

Every discretion and power vested in Eclipse is absolute and uncontrolled. In addition to any right of Eclipse under the general law to refuse disclosure of any document or matter, Eclipse is not required to disclose to any person or Member documents relating to its deliberations or the exercise of any power or discretion, or the non-exercise of such power or discretion, other than where this is required by the Constitution or its duties under the Corporations Act or at general law.

A related body corporate of Eclipse and any person being a director or shareholder of Eclipse or a related body corporate may be directly or indirectly interested in the exercise of powers and discretions under the Constitution without affecting the validity of the exercise of such powers or discretions.

9.10 Liability of Eclipse

Subject to its complying with and acting in accordance with its obligations under the Constitution and the Corporations Act, if Eclipse properly performs its duties and acts in good faith and without negligence, Eclipse is not liable in contract, tort, or otherwise to Members for any loss suffered in any way relating to the Fund or a Syndicate, including any Mortgage Investment, including for any loss or damage to the assets or the Fund or to any person caused by:

- the exercise of any discretion or power conferred by the Constitution or by law on Eclipse or any failure to exercise the discretion or power;

- any disclosure by Eclipse of any document, matter or thing relating to the Fund or any Member.

Eclipse is otherwise liable only to the extent of the value of assets vested in it or received by it under the Constitution. The liability of Eclipse to any person, other than a Member, including any contracts entered into as responsible entity of the Fund or in relation to the assets, is limited to Eclipse's ability to be indemnified from the assets.

9.11 Indemnity of Eclipse

Eclipse properly performing its duties and acting in good faith is entitled to be indemnified out of the assets or, where appropriate, the proceeds of the realisation of a particular Mortgage Investment in respect of all liabilities, costs and expenses incurred by Eclipse in relation to the operation of the Fund or the enforcement of the particular Mortgage Investment. The right of Eclipse to be indemnified is limited to the assets and does not extend to enable Eclipse to recover from any Syndicate Member or other person beneficially entitled to any interest of the particular Mortgage Investment any loss or liability incurred by Eclipse.

9.12 Financial year

Each financial year of the Fund ends on 30 June.

9.13 Auditors

BDO East Coast Partnership ABN 83 236 985 726 have been appointed by Eclipse as the auditor of Eclipse and as auditor of the Compliance Plan and the Fund.

9.14 Legal adviser

The legal adviser to Eclipse and the Fund is Wily Legal and Consulting Pty Limited ACN 124 602 768 and has consented to be named in this PDS.

9.15 Tax adviser

The tax adviser is Greenwoods & Herbert Smith Freehills Pty Limited ACN 003 146 852 and has consented to be named in this PDS.

9.16 Changing service providers

The service providers to the Fund may be changed and added to at any time without notice to Members.

SECTION 10 : GLOSSARY OF TERMS

TERM	MEANING
ACL	Australian Credit Licence.
Additional Investment Application Form	The Application Form for a Member to invest additional Application Monies in the Fund (minimum \$5,000).
AEST	Australian Eastern Standard Time.
AFSL	Australian Financial Services Licence.
AML/CTF	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth) including any regulations made under it and subject to any AML/CTF rules issued by the Australian Transaction Reports and Analysis Centre.
Applicant(s)	Person(s) or corporate entity that applies to become a Member.
Application Form	The application form accompanying this PDS in respect of an Applicant becoming a Member.
Application Monies	The amount specified in an Application Form (minimum \$10,000).
Application Monies Account	The bank account into which Application Monies are deposited before the approval of an application to become a Member. Application Monies are held on trust by Eclipse for the Applicant.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Securities and Investments Commission.
Auditor	BDO East Coast Partnership ABN 83 236 985 726 as auditor of the Fund's annual financial accounts and Compliance Plan.
Benchmarks	Information about the Fund required by ASIC in order to improve the disclosure of information about unlisted mortgage schemes in Australia.
Borrower	Person(s) or corporate entity that applies for, and is granted, a loan from a Syndicate.
Business Day	Any day that is not a Saturday, Sunday, bank or public holiday in New South Wales, Australia.
Compliance Committee	Appointed by Eclipse to ensure Eclipse complies with the requirements of the Corporations Act, the Constitution and the Fund's Compliance Plan.
Compliance Plan	The document adopted by Eclipse that sets out the key criteria and procedures that Eclipse is to follow to ensure that it complies with the requirements of the Corporations Act and the Constitution.
Constitution	The deed poll entered into by Eclipse establishing the Fund dated 6 December 1999 and as amended by amending deeds dated 27 November 2014 and 3 October 2017.
Construction Loan(s)	A Mortgage Investment to fund and complete a construction project. The nature of the construction project will be disclosed in the Syndicate PDS and may be a land development, commercial or residential construction project.
Corporations Act	<i>Corporations Act 2001</i> (Cth).

Credit Committee	Constituted as a sub-committee of the Board of Eclipse to review, assess and approve new loan applications and oversee management of all lending activities. The Credit Committee reviews and considers each proposed and actual Mortgage Investment.
CRS	The OECD <i>Common Reporting Standard for Automatic Exchange of Financial Account Information in Tax Matters</i> which has been implemented in Australia commencing from 1 July 2017 and imposes certain due diligence and reporting obligations on financial institutions and other financial intermediaries, including the Fund, in respect of foreign Applicants from participating jurisdictions.
Disclosure Principles	Information about the Fund required by ASIC in order to improve the disclosure of information about unlisted mortgage schemes in Australia.
Distributions	All distributions of monthly returns to Syndicate Members made solely from the income received from Borrowers from the Fund in respect of that Mortgage Investment.
Eclipse, we, us	Eclipse Prudent Mortgage Corporation Limited ACN 089 265 270, AFSL 238546, ACL 238546, as responsible entity, investment manager, administrator and custodian of the Fund.
EDR	External dispute resolution scheme as approved by ASIC.
FATCA	The <i>Foreign Account Tax Compliance Act</i> which is a United States of America (USA) tax law imposing certain due diligence and reporting obligations on foreign (non-USA) financial institutions and other financial intermediaries, including the Fund, to prevent tax evasion by US citizens and US tax residents through the use of non-US domiciled investments or accounts.
Fund	Eclipse Prudent Mortgage Fund ARSN 090 994 326.
Fund Account	The bank account in which Holding Monies are held.
GST	Goods and services tax as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Holding Monies	All monies excluding Application Monies that are held in the Fund Account on trust by Eclipse for the Member.
Loan to Valuation Ratio (LVR)	Loan to valuation ratio, meaning the percentage of the total value of the Security Property Eclipse is willing to lend to the Borrower. The LVR may be assessed on an 'as is' basis (where the value of the Security Property is assessed at the date of the valuation) or an 'as if complete' basis (where the value of the Security Property is assessed as being the anticipated value on completion of the construction).
Member(s)	Applicants who have been accepted by Eclipse to hold an interest in the Fund Account.
Member(s) of a Syndicate or Syndicate Members	Member(s) who also have an interest in a particular Mortgage Investment by way of investment through the Syndicate PDS.
Mortgage Interest Account	The account maintained by Eclipse into which all interest payments on the Mortgage Investment are paid by the Borrower and are held by Eclipse on trust for the Members of the relevant Syndicate pending distribution.
Mortgage	The charge on the Security Property granted by the Borrower on entering into a Mortgage Investment to secure the payment by the Borrower of the Mortgage

	Investment. The Mortgage will be registered in the name of the Syndicate Members or Eclipse as nominee for the Syndicate Members.
Mortgage Investment	The sum of money borrowed by a Borrower, whether as one advance or numerous advances, with the expectation that it will be paid back within a fixed term together with all interest and fees. The Mortgage Investment is secured by a registered Mortgage over the Security Property. A Member's investment in the Fund provides the Fund with the money used to lend to the Borrower.
NCC	The National Credit Code as Schedule 1 to the <i>National Consumer Credit Protection Act 2009</i> (Cth).
PDS	This product disclosure statement for the Fund.
Privacy Policy	The document adopted by Eclipse that sets out the key criteria and procedures that Eclipse follow to ensure that it complies with the requirements of the <i>Privacy Act 1988</i> (Cth).
Responsible Entity	The responsible entity operates the Fund and performs the functions conferred on it by the Constitution and the Corporations Act.
RF Capital	RF Capital Pty Limited ACN 127 097 081 as trustee of the RF Capital Trust ABN 68 006 282 878, and any entities that control, are controlled by or are under common ownership or control.
RG 45	ASIC Regulatory Guide 45 – Mortgage schemes – Improving disclosure for retail investors. RG 45 reflects the information ASIC considers key to enable retail investors to analyse the risk of investing and continuing to hold interests in unlisted mortgage schemes, such as the Fund.
RITC	Reduced Input Tax Credits.
Security Property	The land and the fixtures or structures built upon the land that is the security for the Mortgage Investment and charged by the Mortgage.
Syndicate	Made up of Members who elect to invest in a particular Mortgage Investment through the Syndicate PDS and whose Syndicate Application Form is accepted by Eclipse.
Syndicate Application Form	The application form accompanying a Syndicate PDS in respect of a Member becoming a Syndicate Member.
Syndicate PDS	The disclosure document that outlines details of a particular Mortgage Investment and is to be used by Member(s) to invest into a Syndicate.
Taxpayer Identification Number	A Taxpayer Identification Number (TIN) is an identifying number used for tax purposes in the United States.
Taxation of Financial Arrangements	The Taxation of Financial Arrangements (TOFA) rules provide for the tax treatment of gains and losses on financial arrangements. The TOFA rules are found in Division 230 of the ITAA 1997 which provides the methods for calculating gains and losses from financial arrangements, and the time at which these gains and losses will be brought to account.
Valuation Policy	The document adopted by Eclipse that sets out the key criteria and procedures that Eclipse is to follow to ensure that it complies with the requirements of the Corporations Act, the Constitution and RG45.
Valuer General	An independent statutory officer, appointed by the Governor of New South Wales to oversee the State's land valuation system.

SECTION 11 : CORPORATE DIRECTORY

Responsible Entity

Eclipse Prudent Mortgage Corporation Limited
ABN 54 089 265 270
AFSL 238546
ACL 238546
Level 54, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

PO Box R1297
ROYAL EXCHANGE NSW 1225

T +61 2 9954 2211
F +61 2 9954 2222
E investor@epmcl.com.au

**Auditor of Responsible Entity,
Fund and Compliance Plan**

BDO East Coast Partnership
Level 11, 1 Margaret Street
SYDNEY NSW 2000

Legal advisor

Wily Legal and Consulting Pty Limited
Suite 608, Level 6
109 Pitt Street
SYDNEY NSW 2000

Tax advisor

Greenwoods & Herbert Smith Freehills Pty Limited
161 Castlereagh Street
SYDNEY NSW 2000

SECTION 12 : HOW TO INVEST

Please read these instructions BEFORE signing and lodging the application

Steps to invest

Please read the PDS before completing the Application Form that accompanies to your investment. If you need help completing your Application Form, please call Eclipse on + 61 2 9954 2211 between 8.30am and 5.00pm Monday to Friday AEST (excluding public holidays) or in accordance with the communications policy in section 7.12.

Step 1: Complete your Application Form

Complete the Application Form that applies to you:

Form 1: Application Form - for new Applicants into the Fund

Form 2: Additional Investment Application Form - for Members wishing to make an additional investment.

Note: If Members wish to invest in a particular Mortgage Investment, they must use the Application Form that accompanies the Syndicate PDS.

See section 3 for further instructions as to how the Application Form is to be completed.

Step 2: Provide your other documentation

Provide the identification and verification documents listed in the Application Form. These documents are required Australian Anti-Money Laundering and Counter-Terrorism Financing law.

If you are lodging your application through a financial adviser you are not required to include the identification and verification documents with your application. Your financial adviser will complete the identification process and retain these documents.

All applicants must however complete the Foreign Account Tax Compliance Act (**FATCA**) identification information included in the Application Form. See the further information in section 7.16.

Step 3: Send us your forms and Application Monies

Check that you have completed all of the forms correctly and send them to Eclipse with your Application Monies.

12.1 Application instructions – general

12.1.1 Applications

Applications may only be made on the Application Form accompanying this PDS or on the Application Form supplied by Eclipse where the Applicant already holds a current PDS. Eclipse has the right to accept or reject any application in whole or in part. Within five Business Days after your initial and each additional investment, a written investment confirmation will be sent to you. You may also request investment statements from time to time.

12.1.2 Minimum Subscription

The minimum initial subscription in the Eclipse Prudent Mortgage Fund is \$10,000, and additional subscriptions may be in multiples of \$5,000.

12.1.3 Additional applications

If you are a current Member, you may wish to add to your investment.

The Additional Investment Application Form is available at our website www.eprudentmortgages.com.au or by contacting Eclipse in accordance with its communications policy in section 7.12.

To ensure you have up to date information about the Fund when making an additional investment, you should obtain a copy of any new or supplementary PDS that has been issued from the website or request a copy from Eclipse.

Members should keep a copy of the current PDS and any supplementary PDS, as well as any reports or updated information that Eclipse provides to you, so that you may refer to these when deciding if to make a further investment in the Fund. You will always find the most current PDS online and material information at our website www.eprudentmortgages.com.au and you should check this regularly and before making any additional investment.

12.2 Methods of payment

You may elect to pay your Application Monies by cheque or by direct deposit or electronic funds transfer (EFT) payment. Please ensure payment is made in full.

Please note that your cheque must be in Australian currency drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid or funds transfers that are unable to be processed may result in your application being rejected.

Lodgement

For new Applicants:

Your completed and signed Application Form, identity documents and payment and should be lodged with Eclipse Prudent Mortgage Corporation Limited at one of the following addresses:

Level 54, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000
Tel: +61 2 9954 2211

PO Box R1297
ROYAL EXCHANGE NSW 1225

Members making an additional investment:

If you are an existing Member and wish to make an additional investment, please complete an Additional Investment Application Form which is available from Eclipse.

You may lodge your completed and signed Additional Investment Application Form:

Post/by hand: at the office address above;

Facsimile: to facsimile number +61 2 9954 2222

Email: by scanning the documents and emailing them to investor@epmcl.com.au and return the original certified identification documents by post.

12.3 Signing the Application Form

Before signing the Application Form, you should read the PDS. Please note that in addition to the information in the following Instructions for completing the Application Form:

- the Application Form must be signed by you personally, by seal, or by an attorney;
- joint Applicants must both sign the application. Joint Applicants will be assumed to be joint tenants unless otherwise specified;
- 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;
- if signed by an attorney, the attorney declares that no notice of revocation of the power of attorney has been received;

- if signed under company seal, the directors and/or secretary attest that the common seal was affixed in accordance with the company's constitution; and
- if not executed under company seal, the persons authorised to sign must be authorised to do so in accordance with the company's constitution.

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.

12.4 Instructions for completing the Application Form

General	Please complete the form using a black ballpoint pen and CAPITAL LETTERS
Part 1: Investment Details	<ul style="list-style-type: none"> • The minimum application amount is \$10,000 and thereafter in multiples of \$5,000. • Only Australian currency will be accepted. • Interests in the Eclipse Prudent Mortgage Fund will only be issued on receipt of the full application amount and receipt of the original completed Application Form, issued together with this PDS. <p style="text-align: center;"><i>Payment of Application Monies by cheque or electronic funds transfer</i></p> <ul style="list-style-type: none"> • We do NOT accept cash or third party cheques in any circumstances • If paying by cheque, make it payable to 'Eclipse Prudent Mortgage Fund – account [name of Applicant]' and cross your cheque 'not negotiable' • Your cheque should be mailed with your completed Application Form as noted below. • Details for electronic funds transfer are in the Application Form. Please ensure that you provide your name in the electronic funds transfer reference field <p style="text-align: center;"><i>Source of funds and investment purpose</i></p> <ul style="list-style-type: none"> • The information as to source of investment funds and purpose of your investment must be completed. For further information, see the material in section 7.14
Part 2: Applicant Details - Individuals	<p>Please ensure:</p> <ul style="list-style-type: none"> • You identify what type of entity you are. Different entities need to complete different parts of the Application Form and provide different documents. • You complete the FULL name of all Applicants. Your name must match your driver's licence, passport or other document you are using as proof of identity. • Individual Applicants are to be 18 years of age or over. • For joint Applicants we require the usual residential address of each Applicant. • You may only elect one postal address for all notices and correspondence • We cannot accept your referring agent or financial advisors address or a PO Box (except for postal address). <p style="text-align: center;"><i>Tax File Number (TFN).</i></p> <ul style="list-style-type: none"> • You are not obliged to provide your TFN, or claim an exemption. However, if you do not do so we are required to deduct Australian tax from distributions of income made to you at the highest marginal rate, plus Medicare Levy (if you are an Australian resident) and forwarded to the Australian Taxation Office. If you hold your interest in the Fund or Syndicate in the course of furtherance of an enterprise, you may quote your ABN instead of your TFN.

- TFNs for minors will not be accepted.
- If you are claiming an exemption, write the full name of the benefit you receive e.g. age pension, service pension, special benefit pension etc.

If you have more than two individual Applicants or beneficiaries, you will need to obtain a second copy of the PDS and complete a second original application for the additional Applicants. Photocopies of the Application Form will not be accepted.

Collection of your TFN or ABN is authorised and its use and disclosure are strictly regulated by the tax laws and *Privacy Act 1988* (Cth).

See also *Examples of Correct Names and Account Designations* in section 12.5.

AML/CTF identification documents

At the end of this Part and other Applicant details Parts there is a list of the identification documents that need to be provided. For further information, see section 12.5 and in section 7.14. This contains material as to politically exposed persons and beneficial owners.

Part 3: Applicant Details – Company/corporate trustee

- Company Applicants include a contact name.
- Provide an ACN, ABN or ARBN as applicable.
- Provide the AML/CTF identification documents referred to at the end of the relevant Parts.

Part 4: Applicant Details – Trust/superannuation fund

- If the trustee(s) are individuals, then you must also complete Part 1.
- If the trustee is a company, then Part 3 must also be completed.
- Provide the AML/CTF identification documents referred to at the end of the relevant Parts.

Part 5: Automatic Exchange of Information Compliance

Please ensure that this Part is completed for each Applicant. For further information, see the material under the heading 'Automatic exchange of information compliance' in section 7.17.

Part 6: Instructions – Payment and Operating Authority Details

- The bank account you elect on the Application Form will be used by us to pay out any distributions and repayments of your investment.
- The account must be in the name of the Applicant.
- The account must be an Australian resident bank, building society or credit union.
- You may change these details at any time by contacting Eclipse and completing the necessary change of details form.
- When giving instructions to us about your investment please indicate who has authority to operate your account.

Part 7: Privacy

Eclipse may wish to contact you from time to time about future investment opportunities. You can elect to receive this information by ticking the box.

Part 8: Investor Declaration and Signatures

- *Declaration:* by completing the Application Form to invest, you are declaring that you have read and understood the PDS along with a number of other declarations, acknowledgements and consents. Please ensure you read these carefully. If you do not understand any of these documents, please contact Eclipse or your adviser.
- *Signatures:* you should ensure that you have read the PDS before signing the application. Applications which are not signed or not signed correctly may be rejected.
 - Joint Applications – all Applicants must sign.

- Signature under Power of Attorney – a certified copy of the Power of Attorney must accompany this Application Form. Where this Application Form is signed under a Power of Attorney, the Attorney declares that the Attorney has notice of revocation.
- Company – this Application Form must be signed by 2 directors or a director and company secretary, or a sole director in the case of companies with a sole director who is also sole company secretary. Titles of all signatories should be indicated and inapplicable titles deleted.

Part 9: Financial Adviser Details

- This Part of the application is for your adviser to fill out.
 - As detailed in section 6.6 any fees payable to your adviser by us will be paid by Eclipse from its own funds and/or management fee. They are not deducted from your investment. Your adviser may charge you other fees. You should obtain the details from your adviser.
-

12.5 Examples of correct names and account designations

Only legal entities are allowed to be a Member and to hold an interest in a Syndicate. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname are required for each natural person. The name of a beneficiary or any other non-registrable name may be included as an account designation if completed as set out in the examples of correct forms given below.

TYPE OF APPLICANT	CORRECT NAME	INCORRECT NAME	SIGNATURE(S) REQUIRED
Individual/joint holding <i>Use full name of each Applicant, not initials</i>	Luke John Smith Susan Mary Smith	Luke J Smith Susan M Smith	• Each Applicant
Company holding <i>Use full company name</i>	ZYX Pty Ltd	ZYX inc ZYX Co ZYX p/l	• 2 directors; • A director & secretary; • A single director if a sole director company
Minors <i>Use full name of each Applicant, not initials. Use minor name as beneficiary</i>	Susan Mary Smith a/c designation <Josh Smith>	Josh Smith	• Each Applicant (not minor)
Superannuation funds/trusts for individual(s) <i>Use trustee(s) personal name(s)</i> <i>Use fund/trust name as beneficiary</i>	Susan Mary Smith a/c designation <SMS Trust> <SMS Super Fund>	SMS Trust SMS Super Fund	• Each Trustee
Superannuation funds/trusts for companies <i>Use trustee company name. Use fund/trust name as beneficiary</i>	ZYX Pty Ltd <ZYX Trust> <ZYX Super Fund>	ZYX Trust ZYX Super Fund	• Trustee – as per company holding above

12.6 Anti-money laundering and counter-terrorism financing

The AML/CTF law requires organisations to have implemented a relevant program with the appropriate compliance structures to manage anti-money laundering and counter terrorism financing risks. Eclipse will require Applicants to provide appropriate identification and verification details, which may include identification of underlying beneficial owner(s). Eclipse may delay or refuse to accept an application (and return any funds received with the application without interest) from an Applicant who delays or fails to produce any information requested for verification purposes or if it is concerned that the application may breach any obligation of, or cause the commission of an offence under the AML/CTF law, and it will not incur any liability to any Applicant for such delay or refusal.

An application will not be accepted or processed until all required information has been received to the Eclipse's satisfaction including that all client identification procedures has been completed and any other obligations under the AML/CTF laws have been complied with. Eclipse may also require Applicants to provide additional information and identification documents to those listed in the Application Form, for example where a foreign bank account is used to make subscriptions and to receive repayment if investments and distribution payments. This may include, but is not limited to the following information:

- for an individual – any maiden name or former name;
- for an individual – countries of citizenship and residence;
- for an individual – occupation and employer or business activity; and
- for all types of Applicants – source of funds and beneficial ownership.

By applying to invest in the Fund, each Applicant warrants:

- they are not aware and have no reason to suspect that:
 - a) the Application Monies used to fund their investment in the Fund have been or will be derived from or related to any money laundering, terrorism financing or other illegal activities, whether prohibited under Australian law, international law or convention or by agreement ('illegal activity'); or
 - b) the proceeds of their investment in the Fund will be used to finance any illegal activities
- they, their agent, or their nominated representative will provide the Administrator with all additional information and assistance that may be requested in order to comply with obligations under any AML/CTF law.

12.7 Forms of Identification required from Applicants

The Application Form states the form of identification documents that Eclipse will collect from you. We will usually collect these documents before processing the application, but may request additional information at a later date. If you do not provide the documents and information we may not be able to process your application. Alternative forms of documents may be acceptable under certain circumstances permitted by law.

Non-English documents must be accompanied by a translation prepared by an accredited translator.

It is not compulsory for Applicants to provide the information requested by us. However, if not all the requested information is provided Eclipse may not be able to process an Applicant's application, administer their investment or comply with any of their instructions. If you are in any doubt as to what information must be provided with the Application Form, please contact Eclipse. Its contact details are set out in the Corporate Directory on page 51 of this PDS.

Certification of documents

The certification of your documents must be completed in Australia by a person in one of the positions below and who is not related to you (i.e. a parent, spouse, de facto partner or child). When having copies of documents certified, you should show both the original document and copy to the eligible certifier.

Eligible Certifiers:

- Judge
- Magistrate
- Pharmacist
- Accountant with CPA or NIA membership *
- Lawyer
- Justice of the Peace
- Finance Company Officer *
- Full-time post office employee*
- Notary Public
- Police Officer
- Full time bank employee*
- Authorised representative of a holder of an AFSL*

*Required to have at least two years of continuous service or membership

The following is a guide as to the form of the certification:

DOCUMENT TYPE	SAMPLE WORDING	CERTIFICATION REQUIREMENTS
Single page	I, [full name], certify that this is a true and correct copy of the original.	Certified within the last 12 months
Multiple page document (with certification on every page)	I, [full name], certify that this is a true and correct copy of the original.	<ul style="list-style-type: none"> • Signed and dated • Includes name, occupation and any licence number of the certifier
Multiple page document (with certification on front page only)	I, [full name], certify that this page and the following 'x pages' are a true and correct copy of the original.	

Please ensure you send a certified copy only and not the original.

It is not compulsory for you to provide certain information requested by us. However, if some of the information is not provided by you, Eclipse may not be able to process your application, administer your investment in the Fund or comply with any investment or instructions that you may provide.