



PRODUCT DISCLOSURE STATEMENT

Issued by Everest Capital Limited (ABN 86092 753 252 and AFSL 255 102)
as responsible entity for the Everest Alternative Investment Trust (ARSN 134 483 319)

IMPORTANT INFORMATION

THIS PRODUCT DISCLOSURE STATEMENT

This Product Disclosure Statement ("PDS") (dated 23 December 2008 is issued by Everest Capital Limited (ABN 86 092 753 252, AFSL 225 102) ("Everest") as the responsible entity and manager of the Everest Alternative Investment Trust (ARSN 134 483 319) ("EAIT") in connection with the issue of new EAIT Units pursuant to the Exchange Offer. EAIT is an unlisted managed investment scheme that has been registered with the Australian Securities and Investments Commission ("ASIC").

This PDS was lodged with ASIC on 23 December 2008. ASIC takes no responsibility for the contents of this PDS.

Everest is a wholly owned subsidiary of Everest Babcock & Brown Limited (ACN 112 480 145). Everest is not associated or affiliated with the Bermuda based Everest Capital Limited.

Where there is any reference to an action being taken by EAIT in this PDS, this reference is intended to be a reference to Everest acting in its capacity as responsible entity and manager of EAIT.

No person is authorised to provide any information or to make any representation in connection with EAIT or the issue of EAIT Units, which is not contained in this PDS. Any information or representation not in this PDS may not be relied on as having been authorised by Everest.

THIS IS NOT INVESTMENT ADVICE—YOU SHOULD SEEK YOUR OWN FINANCIAL ADVICE

The information provided in this PDS is not investment advice and has been prepared without taking into account your investment objectives, financial situation and particular needs. It is important that you read the entire PDS before making any decision to invest in EAIT. In particular, in considering the prospects of EAIT, it is important that you consider the risk factors that could affect the financial performance of EAIT. You should carefully consider these factors in light of your particular investment objectives, financial circumstances and investment needs (including financial and taxation issues) and seek professional advice from your accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest. Some of the risk factors that should be considered are set out in Section 6.

DISCLAIMER

No person other than Everest has caused or authorised the issue of this PDS or takes any responsibility for the preparation of this PDS or the establishment and performance of EAIT.

In particular, the proposed Leverage Facility Provider, its related bodies corporate, affiliates, associates or officers have not caused or authorised the issue of this PDS nor do any of them take any responsibility for the preparation of this PDS, the performance of EAIT or the performance of the EAIT Units.

In addition, Everest Capital Investment Management Limited and its officers have not caused or authorised the issue of this PDS nor do any of them take responsibility for the preparation of this PDS or the performance of EAIT or of the EAIT Units.

FINANCIAL INFORMATION

All financial amounts contained in this PDS are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this PDS are due to rounding.

FOREIGN JURISDICTIONS

The distribution of this PDS (including an electronic copy) in jurisdictions outside Australia may be restricted by law. EBIT Unitholders who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify this PDS or to otherwise permit a public offering of EAIT Units outside Australia. In particular, this PDS has not been registered under the United States Securities Act of 1933 ("Securities Act"), and EAIT Units may not be offered for issue or sold in the US or to, or for the account or benefit of, a US person (as defined in regulation S of the Securities Act). EAIT Units may be offered in a jurisdiction outside Australia where such an offer is made in accordance with the laws in that jurisdiction. Everest reserves the right not to accept an application for EAIT Units the subject of the Exchange Offer from any particular jurisdiction.

PRIVACY

If you complete the Exchange Offer Acceptance Form, you permit the EBIT Responsible Entity to pass on any information that may be personal information for the purposes of the Privacy Act to Everest.

Everest (and the Registry on its behalf) may collect, hold and use that personal information in order to assess your Exchange Offer Acceptance Form, service your needs as an EAIT Unitholder, provide facilities and services that you request and carry out appropriate administration. Tax and company law also requires some of the information to be collected in connection with your Exchange Offer Acceptance Form. If you do not provide the information requested, your Exchange Offer Acceptance Form may not be able to be processed efficiently, or at all.

The information may also be disclosed to members of EAIT and to their agents and service providers on the basis that they deal with such information in accordance with Everest's privacy policies. Your information may also be used or disclosed from time to time to inform you about products or services that Everest thinks may be of interest to you. If you do not want your personal information to be used for this purpose, you should contact Everest through the Registry at the telephone number or address listed below.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Everest or the Registry. You can request access to your personal information by telephoning 1800 336 109 or +61 2 8280 7691 or writing to Everest through Link Market Services Limited at Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

UPDATED INFORMATION

Information about EAIT may need to be updated by Everest.

Information that is not materially adverse to potential EAIT Unitholders will be made available from time to time on Everest's website at www.everest.com.au. Everest will also provide a copy of the updated information to any person who so requests by calling Everest on +61 2 8001 9100. Where updated information about EAIT is materially adverse to potential EAIT Unitholders, a new or supplementary product disclosure statement will be issued to EBIT Unitholders in accordance with Everest's obligations under the Corporations Act.

You may request further information about EAIT by telephoning Everest on +61 2 8001 9100.

GST

Unless otherwise stated, all fees and costs disclosed in this PDS are inclusive of GST and do not take into account input tax credits and/or reduced input tax credits for GST on fees and costs that EAIT may be entitled to claim.

For the purposes of Section 5.2, a range of fees between the GST exclusive amount and the GST inclusive amounts have been stated on the basis that EAIT may be entitled to an as yet undetermined input tax credit and/or reduced input tax credit.

COOLING OFF

As EAIT is not "liquid" as at the date of this PDS, as that term is defined in section 601KA of the Corporations Act 2001 (Cth), cooling off rights do not apply to an investment made pursuant to an acceptance of the Exchange Offer. This means that, in most circumstances, you cannot withdraw your Exchange Offer Acceptance Form once the Exchange Offer has closed. However, you can withdraw your acceptance of the Exchange Offer at any time prior to the closing date by following the steps mentioned in the Exchange Offer Booklet.

NO REPRESENTATIONS OTHER THAN THIS PRODUCT DISCLOSURE STATEMENT

Any information or representation that is not in this PDS may not be relied on as having been authorised by Everest in connection with the Exchange Offer.

ENQUIRIES

If you have questions in relation to this PDS, please contact your stockbroker, solicitor, accountant or other professional advisor.

GLOSSARY

Certain expressions used in this PDS have defined meanings, which are explained in the Glossary in Section 9, unless explained elsewhere in the PDS.

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IMPORTANT DATES

Event	Date
Exchange Offer Opens	23 December 2008
Exchange Offer Closing Date	20 January 2009
Exchange Offer Record Date	23 January 2009
Exchange Offer Implementation Date	28 January 2008

Note: Each of the above dates is subject to change

PRODUCT DISCLOSURE STATEMENT

1. INTRODUCTION AND TERMS OF THE EXCHANGE OFFER

1.1 This product disclosure statement (PDS) and the Exchange Offer

This PDS is being issued in connection with a proposal by Everest, also referred to as the “Exchange Offer”, which offers EBI Unitholders the opportunity to exchange their EBI Units for Units in the Everest Alternative Investment Trust (EAIT), a new unlisted trust.

This PDS is given for the purposes of section 1012B of the Corporations Act and relates to the issue of new EAIT Units pursuant to the Exchange Offer.

Important dates in connection with the issue of new EAIT Units pursuant to the Exchange Offer are set out in this PDS in the section entitled “Important Dates”.

1.2 Other documents

In addition to this PDS, the following documents have been provided to EBI Unitholders in connection with the Exchange Offer:

- (a) Exchange Offer Booklet; and
- (b) Chairman’s Letter and Exchange Offer Acceptance Form; and
- (c) Supplementary Meeting Booklet.

Everest recommends that EBI Unitholders read these documents in their entirety before making an investment decision in connection with the Exchange Offer.

The documents have been provided to EBI Unitholders at the same time as this PDS. The documents are also publicly available on EBI’s ASX announcement platform and at www.everest.com.au.

1.3 The terms of the Exchange Offer

The terms of, and some questions and answers concerning, the Exchange Offer are set out in the Exchange Offer Booklet that accompanies this PDS.

In summary, the Exchange Offer is made on the following terms.

The Exchange Offer	Eligible EBI Unitholders will receive 1 new EAIT Unit for every 1 EBI Unit held as at the Exchange Offer Record Date in respect of which they elect to accept the Exchange Offer and the corresponding number of EBI Units they hold will be cancelled. Their proportionate share of the assets and liabilities of EBI will be transferred to EAIT.
Eligibility to Participate	Only persons who are registered as the holder of EBI Units on the Exchange Offer Record Date and who have registered addresses in Australia are eligible to participate in the Exchange Offer.
Record Date	7.00pm (Sydney time), 23 January 2009
Offer Period	The Exchange Offer opens at 9:00am (AEDST) on 23 December 2008 and closes at 5:00pm (AEDST) on 20 January 2009.
Acceptance	Eligible EBI Unitholders may accept the Exchange Offer in respect of all or part of their registered holding of EBI Units on the Exchange Offer Record Date by completing the Exchange Offer Acceptance Form accompanying this Booklet. The Exchange Offer is personal and cannot be transferred or sold.

PRODUCT DISCLOSURE STATEMENT

2. THE EAIT INVESTMENT PORTFOLIO

<p>Conditions</p>	<p>The establishment of EAIT is subject to the terms of the new EAIT Swap Leverage Facility and associated documents, and the amendments to the EBI Swap Leverage Facility and associated documents, having been finalised to the satisfaction of each of Everest, the EBI Responsible Entity and the Leverage Facility Provider and executed by all of the parties to each such document prior to the Exchange Offer Implementation Date.</p> <p>The EAIT Swap Portfolio must initially be a minimum size of A\$100 million net of any leverage or as otherwise agreed with the Leverage Facility Provider.</p> <p>If these conditions are not satisfied by the Exchange Offer Implementation Date, the Exchange Offer will not proceed and persons who have accepted the Exchange Offer will simply retain their EBI Unitholdings.</p>
<p>Implementation Date</p>	<p>The issue of new EAIT Units to accepting EBI Unitholders and the cancellation of the corresponding EBI Units is anticipated to be made no later than 21 days after the closing date.</p>
<p>Notification of Completion</p>	<p>Notification of the issue of new EAIT Units to accepting EBI Unitholders and the cancellation of the corresponding EBI Units will be made through the issue of a new CHESS holding statement in respect of their holdings in EAIT and EBI.</p>
<p>Withdrawal Offer</p>	<p>The Exchange Offer is technically a withdrawal offer under the <i>Corporations Act 2001</i> (Cth). As EBI is not “liquid” (as defined in section 601KA of the Corporations Act), you presently have no right to withdraw from EBI except pursuant to a withdrawal offer that complies with the Corporations Act and EBI’s constitution.</p> <p>The information below is provided to comply with the requirements of the Corporations Act applicable to withdrawal offers.</p> <p>The withdrawal price for your EBI Units will be the price determined in accordance with the formula set out in EBI’s constitution (as amended on 30 October 2008).</p> <ul style="list-style-type: none"> • The payment of the withdrawal price will be satisfied by the issue to you by ECL of new EAIT Units. For every one EBI Unit for which you accept the Exchange Offer, you will receive one new EAIT Unit. <p>If you accept the Exchange Offer, you will be taken to have directed ECIML, as the EBI Responsible Entity, to pay the withdrawal price for your withdrawn EBI Units to Everest, in its capacity as the responsible entity of EAIT, as the issue price for your EAIT Units. ECIML will satisfy that direction by transferring a proportion of the assets and liabilities of the EBI fund to Everest, in its capacity as the responsible entity of EAIT, equal to the proportion that the withdrawn EBI Units bear to the total number of EBI Units on issue at the Exchange Offer Record Date.</p> <p>The terms and conditions of the new EAIT Units will be governed by the EAIT Constitution, the material terms of which are summarised in Section 8.3 of this PDS.</p> <p>The issue to you of the relevant number of new EAIT Units will represent full and final settlement of all your rights in respect of your withdrawn EBI Units and you will not be entitled to other monies (including any accrued interest) in respect of those EBI Units.</p> <p>The assets that will be used to satisfy the withdrawal requests are a proportion of the total assets of the EBI fund equal to the proportion that the total number of withdrawn EBI Units</p>

PRODUCT DISCLOSURE STATEMENT

2. THE EAIT INVESTMENT PORTFOLIO

	<p>bears to the total number of EBI Units on issue at the Exchange Offer Record Date.</p> <p>Those assets will not be converted into money but instead will be transferred to ECL, in its capacity as the responsible entity of EAIT. Hence there is no need to provide a method for dealing with withdrawal requests if the money available is insufficient to satisfy all withdrawal requests.</p>
Right to withdraw Exchange Offer	<p>EBI may withdraw the Exchange Offer if the conditions of the Exchange Offer are not satisfied or otherwise in accordance with section 601KE of the Corporations Act.</p>
Change of Dates	<p>The dates above are subject to change.</p>

* For further information about the amendments proposed to the EBI Swap Leverage Facility, refer to Section 6 of the Supplementary Meeting Booklet accompanying this PDS. For further information about the new EAIT Swap Leverage Facility, refer to Section 8.6.1 of this PDS.

PRODUCT DISCLOSURE STATEMENT

2. THE EAIT INVESTMENT PORTFOLIO

2.1. EBI's Investment Portfolio

EBI is an ASIC registered fund which is listed on the ASX. EBI has investment exposure to a portfolio of leading Absolute Return Funds diversified across investment strategies including long/short equity, distressed securities, multi-strategy, event driven and asset based lending, as well as selected Direct Investments including subordinated debt.

The table below sets out the 10 largest Absolute Return Funds, ranked by percentage allocation exposure, in the EBI Investment Portfolio.

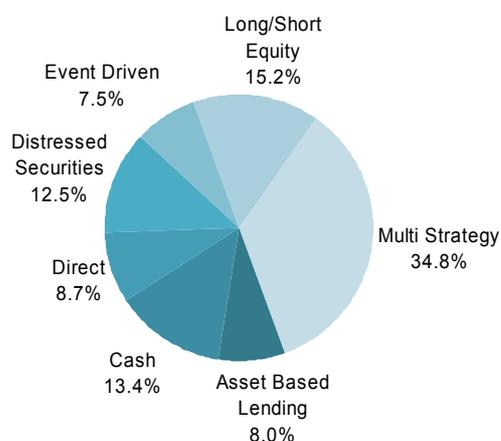
As at 31 October 2008, approximately 78% (excluding the impact of foreign exchange and interest rate hedges) of the EBI Investment Portfolio was invested in Absolute Return Funds across five principal investment strategies. The EBI Investment Portfolio is diversified and has exposure to over 40 individual investments, with the largest investment exposure representing approximately 9.9%.

Direct Investments make up approximately 8.7% of the EBI Investment Portfolio. EBI currently has allocations to, income producing investments and securities across various sectors and geographies. The majority of the Direct Investment Portfolio is comprised of subordinated debt investments, with a smaller allocation to listed equity investments. EBI gains exposure to these assets via direct investments and by holding units in wholesale funds (with a similar investment strategy) managed by Everest, such as the Everest Babcock & Brown Income Fund. As the EBI Investment Portfolio has exposure to some of the same Direct Investments directly and via wholesale funds, the allocation chart below is shown on a "look through" basis when appropriate. Notional cash holdings of approximately 13.4% comprise the remainder of the EBI Investment Portfolio.

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2. THE EAIT INVESTMENT PORTFOLIO

Chart 1: Investment Portfolio allocation by Investment Strategy as at 31 October 2008*



* Exposure numbers:

- (a) are based on the gross value of the Investment Portfolio;
- (b) does not include impact of FX and interest rate hedges;
- (c) as at 31 October 2008.

Top 10 Absolute Return Funds in Investment Portfolio (by allocation) as at 31 October 2008**

Fund	Strategy	Weight
Eton Park	Multi Strategy	9.9%
Drawbridge Special Opportunities	Asset Based Lending	8.0%
TPG Axon	Multi Strategy	6.8%
Och-Ziff Overseas Fund	Multi Strategy	4.2%
Och-Ziff Europe	Multi Strategy	3.6%
Contrarian Capital	Distressed Securities	3.5%
Marathon Special Opportunities	Distressed Securities	3.2%
Perry Partners	Event Driven	2.8%
Plainfield Special Situations	Distressed Securities	2.7%
Shumway Atlantic	Long / Short Equity	2.7%
Total		47.4%

** Top ten exposures shown on a look through basis, as appropriate.

EBI gains its leveraged exposure to the portfolio of Absolute Return Funds via the EBI Swap Leverage Facility. EBI currently targets a total debt to asset ratio of approximately 50%.

2.2. EAIT's Investment Portfolio

2.2.1. The Composition of EAIT's Investment Portfolio

EAIT will have a proportionate exposure to the same assets and liabilities as EBI as at the Exchange Offer Implementation Date. The proportion of EBI's assets and liabilities which will be transferred to EAIT on the Exchange Offer Implementation Date will be equal to the proportion of the EBI Units which participate in the Exchange Offer to the total number of EBI Units on the Exchange Offer Record Date ("**Relevant Proportion**").

As EBI's Absolute Return Fund investment exposure is obtained through its interest in a total return swap with the Leverage Facility Provider ("**EBI Swap Leverage Facility**"), the transfer to EAIT of the Relevant Proportion of the existing EBI Swap Leverage Facility will be effected through a reduction of the investment exposure under the EBI Swap Leverage Facility ("**Redemption**"). Everest will enter into a new total return swap with the Leverage Facility Provider using the proceeds of the Redemption and notional leverage contributed by the Leverage Facility Provider. This will provide EAIT Unitholders with an exposure to the investment portfolio the subject of the Redemption ("**EAIT Swap Leverage Facility**").

The Relevant Proportion of EBI's Direct Investments and other assets and liabilities will also be transferred to EAIT prior to the Exchange Offer Implementation Date.

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2. THE EAIT INVESTMENT PORTFOLIO

The following is provided as a hypothetical example:

Assuming that, for example, 50% of EBI Unitholders elect to participate in the Exchange Offer, this would equate to 50% of EBI's underlying assets and liabilities. EAIT would then effectively be allocated 50% of EBI's net assets and liabilities.

The cost of EAIT Units will be equal to the withdrawal price for EBI Units (being a price determined in accordance with EBI's constitution, a copy of which may be obtained at www.everest.com.au or EBI's ASX announcement platform). Cash payment of the withdrawal price in respect of the EBI Units will be taken to have been contemporaneously applied by Eligible EBI Unitholders who accept the Exchange Offer towards the subscription price payable for new EAIT Units. Ultimately, Eligible EBI Unitholders who accept the Exchange Offer will be issued with one EAIT Unit for every one EBI Unit held as at the Exchange Offer Record Date, which will provide them with an exposure to their proportionate share in EBI's underlying assets and liabilities.

Ernst & Young have been engaged by the EBI Responsible Entity and Everest to confirm that the allocation of assets and liabilities between EBI and EAIT is consistent with the process set out above.

2.2.2. EAIT's Investment Strategy

Everest intends to invest in opportunities that provide EAIT with exposure to a portfolio of leading Absolute Return Funds and selected Direct Investments. The objective of the EAIT is to generate attractive risk-adjusted absolute returns over the medium-to-long term while maintaining a focus on capital preservation. Further details on the Investment Guidelines are outlined in Section 3.1.

With respect to the proposed EAIT Swap Leverage Facility, it is the intention of Everest to progressively reduce the leverage of the EAIT Investment Portfolio to zero over the medium term. However, Everest retains the flexibility to increase EAIT's leverage should attractive opportunities arise in the future. In particular, the use of leverage may be considered for certain requirements, including the payment of redemptions and the settlement of foreign exchange contracts.

EBI's Investment Guidelines allow investments of up to 25% of the EBI Investment Portfolio in Direct Investments (see Section 3.1). The EBI Responsible Entity has been progressively reducing its exposure to the Direct Investments and, in this regard, Everest intends to continue to reduce EAIT's exposure to this asset class over the medium term. However, Everest will also retain the flexibility to increase EAIT's exposure to Direct Investments should attractive investment opportunities arise in the future.

2.2.3. EAIT's Investment Structure

It is proposed that EAIT will gain exposure to the proposed EAIT Investment Portfolio via:

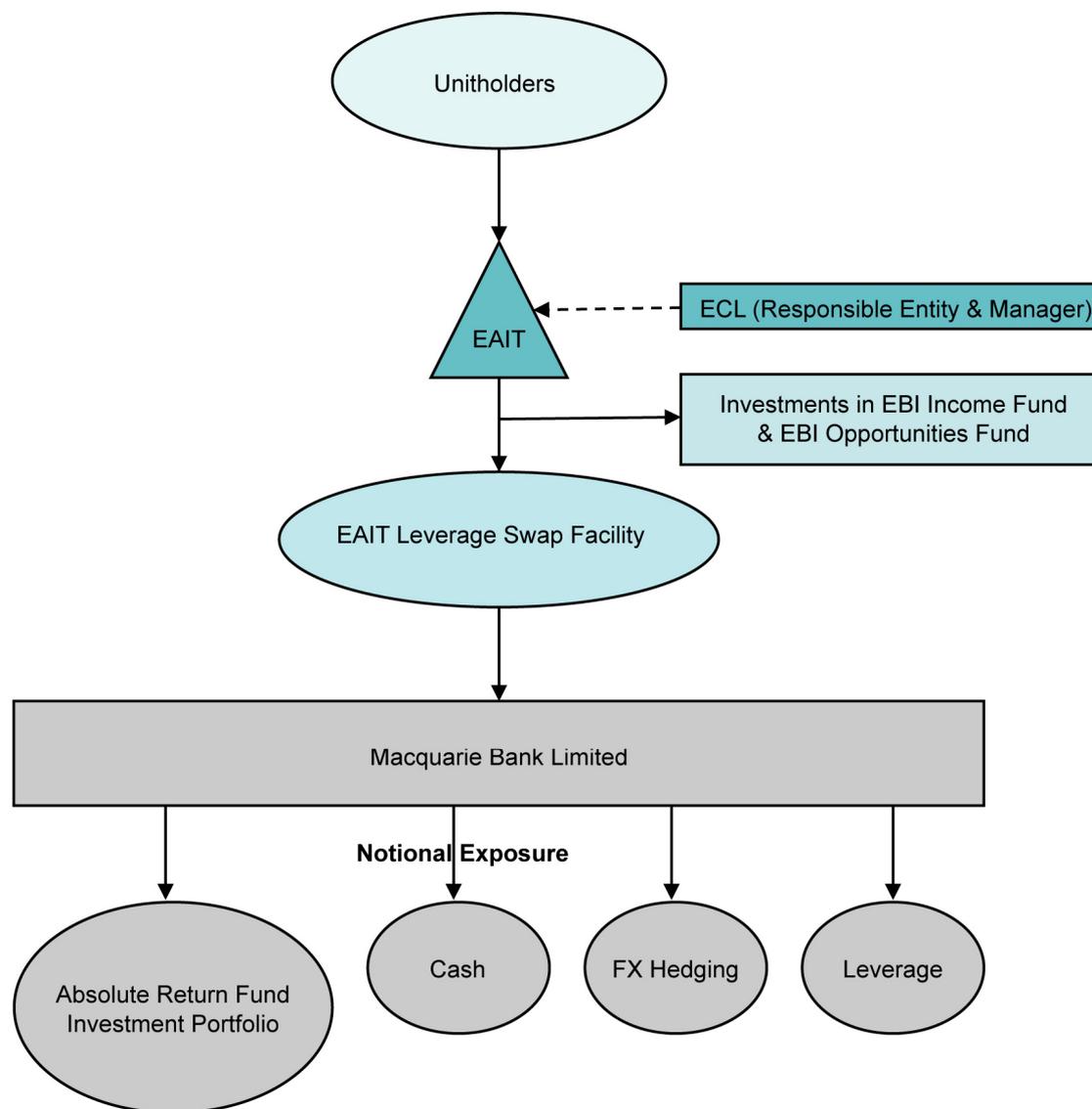
- the EAIT Swap Leverage Facility; and
- an investment in the EBI Income Fund and EBI Opportunities Fund as the owner of the Direct Investments. The EBI Opportunities Fund does not currently hold any investments.

The EAIT Swap Leverage Facility also provides leverage to EAIT. The proposed terms of the EAIT Swap Leverage Facility are outlined in Section 8.6.1.

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2. THE EAIT INVESTMENT PORTFOLIO

Chart 2: EAIT's Investment structure



2.2.4. Foreign Exchange

Net currency exposures (that is, currency exposures less any notional leverage in those currencies) associated with the EAIT Swap Leverage Facility will be hedged back to Australian dollars for the purpose of determining NTA and Distributions.

Currency risks associated with the Direct Investments are expected to be hedged, but there may be amounts that are not hedged. For example, currency risks associated with the delay between making a commitment to invest in, and actually making an investment in, a Direct Investment may or may not also be hedged.

There is no guarantee that such hedging techniques will be fully successful in eliminating all of the risks associated with foreign exchange movements. For example hedging will be carried out on a monthly basis and therefore will not hedge against intra month foreign exchange movements.

PRODUCT DISCLOSURE STATEMENT

2. THE EAIT INVESTMENT PORTFOLIO

2.2.5. Interest Rates

The EAIT Investment Portfolio may have exposure to investments whose value is affected by the level and movement of interest rates. Interest rate risks associated with the EAIT Swap Leverage Facility may from time to time be hedged. EAIT may hedge interest rate exposures by either entering into interest rate derivative transactions or matching the terms of the drawn leverage amounts to the investments to create a natural hedge.

It is intended that the interest rate terms of the EAIT Swap Leverage Facility (details of which are set out in Section 8.6.1 below) will be consistent with the terms of the amended EBI Swap Leverage Facility. Details of the amendments proposed to the EBI Swap Leverage Facility are set out in Section 6 of the Supplementary Meeting Booklet accompanying this PDS.

2.2.6. Distributions

Everest intends to distribute 100% of EAIT's taxable income to EAIT Unitholders each financial year. These Distributions are intended to be paid semi-annually.

However, no guarantee can be given about the payment of Distributions for any future period as these matters depend upon the future investment strategy of EAIT, the profitability of investments, and the future financial and taxation position of EAIT.

2.2.7. Portfolio Liquidity

The ability of Everest to withdraw cash from the proposed EAIT Investment Portfolio will be determined by:

- the redemption terms and notice periods of the underlying Absolute Return Funds and Direct Investments;
- any redemption escrows imposed at the time of the initial investment in an underlying investment;
- the terms of the EAIT Swap Leverage Facility (summarised in Section 8.6.1); and
- the maturity profile and availability of cash within the Direct Investment Portfolio.

EAIT will have exposure to a diversified EAIT Investment Portfolio. The liquidity periods associated with these investment exposures typically range from 1 month to 5 years.

2.3. Redemption Profile

EAIT Unitholders will be provided opportunities to redeem from EAIT via periodic Withdrawal Offers to be offered by Everest in the manner outlined below.

2.3.1. 31 December 2009 Withdrawal Offer

Everest will make a Withdrawal Offer on or before 31 December 2009:

- to Eligible EAIT Unitholders who request that Everest make the Withdrawal Offer to it by giving Everest at least 180 days notice (or such other lesser period as Everest accepts) before 30 November 2009;
- in cash at a fixed price of a 7.5% discount to the 31 December 2009 NTA per EAIT Unit;
- subject to a maximum of no more than 25% (or such other percentage less than 25% as the RE in its discretion may determine and specify in the withdrawal offer documents) of the EAIT Units on issue being redeemed in aggregate (the "percentage limit"), and
- subject to the right of Everest to delay redemption under the Constitution.

If there are withdrawal applications for more than the percentage limit of EAIT Units under the 31 December 2009 Withdrawal Offer, applications will be scaled back to the percentage limit and processed on a pro-rata basis.

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Withdrawal applications under the 31 December 2009 Withdrawal Offer may also be scaled back further under section 601KD of the Corporations Act if there is insufficient money available to satisfy the withdrawal applications.

2.3.2. Semi-Annual Withdrawal Offer

After the 31 December 2009 Withdrawal Offer, Everest will make semi-annual Withdrawal Offers, with the first commencing on 31 December 2010:

- to Eligible EAIT Unitholders who request that Everest makes the Withdrawal Offer to it by giving Everest at least 150 days notice (or such other lesser period as Everest accepts) before 31 May (in respect of a 30 June redemption) or 30 November (in respect of a 31 December redemption) (as the case may be);
- in cash at a fixed price of the relevant NTA per EAIT Unit, less any Transaction Costs associated with the Withdrawal Offer; and
- subject to the right of Everest to delay redemptions under the Constitution and the requirement of Everest under section 601KD of the Corporations Act to scale back withdrawal applications if there is insufficient money available to satisfy the withdrawal applications.

2.3.3. Transfer of EAIT Units

Should EAIT Unitholders wish to redeem outside of the Withdrawal Offers, EAIT will endeavour to match potential buyers and sellers of EAIT Units. Matching potential buyers and sellers will be based on the timing of receipt of the request. EAIT does not guarantee that there will be available buyers for EAIT Unitholders.

2.4. Supplementary PDS

Updated or new information which is materially adverse to potential EAIT unitholders will be made available to all EBI Unitholders in the form of a new or supplementary PDS sent to EBI Unitholders free of charge in the following manner:

- (a) By email for those EBI Unitholders who agree in the Exchange Offer Acceptance Form to receive updated information via email and provide their nominated email address; or
- (b) By post for those EBI Unitholders who do not agree in the Exchange Offer Acceptance Form to be provided with updated information via email.

A paper copy of the supplementary PDS will also be made available to EBI unitholders, free of charge, at their request. Information that is not materially adverse to potential EAIT Unitholders will be made available from time to time on Everest's website www.everest.com.au.

2.5. Disclosure

2.5.1. Financial Reporting

As at the date of this PDS, EAIT is not a disclosing entity for the purposes of the Corporations Act. EAIT may however, become a disclosing entity if, as a result of the Exchange Offer, it has 100 or more EAIT Unitholders.

As at the date of this PDS, a disclosing entity's obligations under the Corporations Act include the requirements to prepare financial statements and reports for each half-year period, as well as for the full financial year. As a disclosing entity, EAIT will also be required to comply with the continuous disclosure obligations of the Corporations Act, including the requirement to lodge certain disclosure documents with ASIC.

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2. THE EAIT INVESTMENT PORTFOLIO

2.5.2. NTA Reporting

Everest intends to issue monthly updates to EAIT Unitholders approximately 20 days following the applicable month's end. These regular updates will provide a market update and commentary on the performance of the underlying assets.

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3. OVERVIEW OF INVESTMENT STRATEGIES

3.1. Investment Guidelines

The current Investment Guidelines which Everest intends to adopt in respect of the EAIT Investment Portfolio are consistent with the Investment Guidelines adopted by EBI in respect of the EBI Investment Portfolio and are as follows:

- the Leverage Facility Portfolio will consist of exposure to a diversified portfolio of at least 20 Absolute Return Funds and will make up 75 to 100% of the EAIT Investment Portfolio;
- Subordinated Debt Investments will make up 0 to 20% of the EAIT Investment Portfolio; and
- Equity Co-Investments will make up 0 to 5% of the EAIT Investment Portfolio.

The Subordinated Debt Investments and the Equity Co-Investments are collectively known as the Direct Investments.

The objective of the proposed EAIT Investment Portfolio is to generate attractive pre-tax risk-adjusted absolute returns over the medium-to-long term while maintaining a focus on capital preservation. Everest does not seek to make trading profits from its investments, nor does it target specific industry classes.

3.2. Overview of Absolute Return Funds

Absolute Return Funds, also known as hedge funds, aim to preserve capital and generate positive investment returns over the medium-to-long term in rising and falling markets. Their risk/return philosophy differs from that of many traditional fund managers. They regard risk as the potential loss of invested capital, as opposed to deviation from a particular market index. Performance is measured in absolute profit terms, rather than being assessed relative to an index.

Absolute Return Funds generally have flexible investment mandates and can invest in all asset classes and across all components of a company's capital structure. They can invest on the Long Side (i.e. buying a security with the expectation that it will increase in value) or Short Side (i.e. selling a borrowed security with the expectation that it will decrease in value), directly or indirectly (eg. via swaps, derivatives or other synthetic instruments) and may have either short or long-term investment holding periods. Most Absolute Return Funds tend to specialise in specific areas of investment although there are a number of funds that adopt a Multi Strategy approach.

Exposure to Absolute Return Funds can enhance a balanced investment portfolio by providing diversification away from purely directional market exposures.

3.3. Absolute Return Fund investment strategies

Everest characterises Absolute Return Funds according to eight strategies, as set out below:

Long/Short Equity	The Investment Manager invests in equities on both the Long Side and Short Side of the market. Market views are expressed by varying net exposure (i.e. long exposure minus short exposure). The Investment Manager typically seeks to buy undervalued stocks and short sell overvalued stocks.
Distressed Securities	The Investment Manager invests in, or short sells, a particular security where the price has been, or is expected to be, affected by a distressed situation. Examples include reorganisations, bankruptcies and distressed asset sales.
Multi Strategy	The Investment Manager typically invests across a broad cross section of opportunities including, but not limited to, Long/Short Equity, Arbitrage, Distressed Securities and Event Driven. Although the relative weighting of the chosen strategies may vary over time, each strategy represents a meaningful component of the investment portfolio.

PRODUCT DISCLOSURE STATEMENT

3. OVERVIEW OF INVESTMENT STRATEGIES

	Investment Managers may choose to employ a Multi Strategy approach in order to better diversify their portfolio and/or capitalise on a broader universe of market opportunities.
Event Driven	The Investment Manager seeks to profit from valuation anomalies arising from corporate events such as mergers, acquisitions, restructurings and bankruptcies. Implementation requires intensive research to analyse the prospects and consequences of the relevant event.
Asset Based Lending	The Investment Manager originates or purchases loans and securities which offer assets as a form of collateral. Typically, these will be in the form of a loan, lease or receivables secured against assets. As the loan is usually secured by assets, this provides the lender with an additional degree of security over unsecured lenders.
Managed Futures	The Investment Manager uses advanced computer trading programs to identify and profit from price movements in global markets.
Global Macro	The Investment Manager takes a view on broad economic and financial themes worldwide and implements investment positions using a wide variety of financial instruments/securities. The objective of this strategy is to capitalise on the impact that anticipated changes may have on financial instruments including equity markets, interest rates, foreign exchange rates and commodity prices.
Arbitrage (e.g. convertible, fixed income and merger)	The Investment Manager takes offsetting positions in financial instruments that are closely related, with the objective of profiting from deviations from normal or forecast pricing relationships. Implementation typically involves hedging broader market risks.

3.4. Global Absolute Return Fund industry

As at 31 December 2007, the global Absolute Return Fund industry was estimated to comprise over 10,000 individual funds and funds of hedge funds collectively managing close to US\$2 trillion of assets.

Typically, the minimum investment in Absolute Return Funds is US\$1 million to US\$5 million, with some as high as US\$25 million. Absolute Return Funds are often domiciled in offshore jurisdictions to facilitate global investment.

There is wide variation between performance of different funds, due to the different strategies employed and the experience/skill of the Investment Managers. Evaluating and constructing a portfolio of Absolute Return Fund is complex given the heterogeneity of the industry. Everest believes that less than 5% of Absolute Return Funds worldwide have the requisite investment experience, track record, AUM, resources, and business and risk management infrastructure to qualify as a potential Investment Manager for inclusion in a portfolio.

3.5. Australian Absolute Return Fund industry

As at 30 June 2007, the Australian Absolute Return Fund industry was estimated to comprise 139 single strategy hedge fund products and 61 fund of hedge fund products collectively managing approximately \$70 billion of assets.

PRODUCT DISCLOSURE STATEMENT

3. OVERVIEW OF INVESTMENT STRATEGIES

Everest believes that an investment that generates returns predominantly due to Investment Manager skill, such as Absolute Return Funds, is relatively more attractive than one which generates returns largely from market movements as is the case with many traditional asset classes. Growth in allocations via superannuation funds to Absolute Return Funds is expected to increase over time.

3.6. Subordinated Debt Investments

3.6.1. What is Subordinated Debt?

Certain asset classes in the proposed EAIT Investment Portfolio in which Everest intends to invest, are often described as Subordinated Debt. Subordinated Debt generally refers to the layer of financing that sits between senior ranking debts and equity.

The following table provides a general summary of the characteristics associated with different types of financing:

Characteristic	Senior Ranking Debt	Subordinated Debt	Equity
Ranking for repayments	Priority right	Subordinated to the senior debt but ranked ahead of equity	Residual right
Security	May be secured or unsecured	May be secured or unsecured	Unsecured
Cost	Least expensive	Generally higher than senior debt but lower than equity	Most expensive
Level of risk	Lowest	Generally higher than senior debt but lower than equity	Highest
Components of return	Interest payments with generally the least volatility	Interest payments with potential upside return (e.g. equity conversion rights) but generally lower volatility than equity	Return based on dividends and capital appreciation (if any), with generally the highest volatility

3.6.2. What types of financial products make up the Subordinated Debt market?

The Subordinated Debt market includes a wide range of products that generally reflect the characteristics set out in table above.

Examples of Subordinated Debt products which rank ahead of traditional equity, but behind senior ranking debt include:

- subordinated loans; and
- listed and unlisted hybrid securities (including convertible and redeemable preference shares and other types of preferred equity, convertible notes and listed subordinated notes).

These products may have qualities of both debt and equity, depending upon how the product is structured and priced. Subordinated Debt products generally enable EAIT Unitholders to access products carrying a higher yield than traditional debt securities, given the higher risk profile.

PRODUCT DISCLOSURE STATEMENT

3. OVERVIEW OF INVESTMENT STRATEGIES

3.6.3. How big is the Subordinated Debt market?

Until the recent downturn in financial markets, the Subordinated Debt market in Australia experienced strong demand in recent years as these products were increasingly being used as tools to fund the market's growing number of merger and acquisition transactions. The Subordinated Debt market is currently experiencing a reduction in the number of transactions and this trend is expected to continue until the credit markets normalise.

3.6.4. What is the subordinated debt portfolio?

EBI currently has capital allocated to subordinated debt investments and high yielding listed securities in a range of sectors including, but not limited to, rail infrastructure, ports, railcar leasing, aircraft leasing, car parking services, coal seam gas and Australian hotels. The subordinated debt portfolio includes investments in Australia, North America and Europe. The subordinated debt investments are predominantly in entities associated with or managed by Babcock & Brown. The EBI Investment Portfolio may also invest in transactions which are originated by other third parties.

The subordinated debt investments are in structures where Babcock & Brown has a material role in some respect, such as equity investor, originator or manager of the entity to which the subordinated loans are made. If an event of business disruption or insolvency was to occur in respect to Babcock & Brown, this could adversely impact on the value of the subordinated debt investment and/or EAIT's rights in relation to that investment.

The Investment Portfolio has exposure to these subordinated debt investments via units it holds in the EBI Income Fund. The EBI Income Fund also owns units in the Everest Babcock & Brown Income Fund, a wholesale fund managed by Everest in its personal capacity. There are some investments held directly in the EBI Income Fund which are also owned by the Everest Babcock & Brown Income Fund. Everest, in its personal capacity, announced that it intends to terminate the Everest Babcock & Brown Income Fund prior to 30 June 2009. Investments in the Everest Babcock & Brown Income Fund are in the process of being realised with proceeds being returned to EBI Unitholders (including the EBI Investment Portfolio) as available.

3.7. Equity Co-Investments

3.7.1. What are the characteristics of Equity Co-Investments?

EAIT's mandate allows investments in a number of co-investment opportunities. Possible investments may include unlisted equity across a wide variety of industry sectors and geographies, however Equity Co-Investments will typically be made in OECD countries. Consequently, investments may be denominated in currencies other than Australian dollars.

Equity Co-Investment arrangements entered into by EAIT may be highly structured and involve the use of pre-emptive rights, including put or call options.

3.7.2. What is the Equity Co-Investments portfolio?

There are currently no Equity Co-Investments in the EAIT Investment Portfolio. However, Everest retains the flexibility to increase EAIT's exposure to Equity Co-Investments should attractive opportunities arise in the future.

PRODUCT DISCLOSURE STATEMENT

4. OVERVIEW OF EVEREST

4.1. Everest

4.1.1. Responsible Entity and Manager

Everest is the responsible entity and manager of EAIT. Everest is licensed to act as the responsible entity of EAIT under AFSL 225102.

As responsible entity and manager, Everest is responsible for management of EAIT's Investment Portfolio, the protection of EAIT Unitholder interests and overall corporate governance of EAIT.

4.1.2. Overview of the Everest Group

Everest Group was founded in 2000 and is one of the largest Australian based investors in Absolute Return Funds. Everest is a wholly owned subsidiary of EBB.

Everest was founded in 2000 and currently manages a number of investment funds with combined AUM of \$2.4 billion as at 30 September 2008. The EBI Responsible Entity, a wholly owned subsidiary of Everest, has agreed to resign (subject to certain conditions) as the responsible entity of EBI on or before 30 January 2009. This proposed resignation will result in a large, but currently unquantifiable, reduction in Everest's AUM. The reduction in AUM will be a function of the number of EBI Unitholders which elect to remain in the listed EBI versus those EBI Unitholders who elect to participate in the Exchange Offer.

4.1.3. Everest's investment process

Everest's process of selecting investments incorporates the utilisation of its worldwide industry network, extensive research, due diligence and face-to-face meetings with the management of potential investments.

Everest aims to generate positive investment returns over the medium-to-long term and in all market conditions, with a particular focus on capital preservation. The strategies and investments chosen by Everest are characterised by their flexibility to capitalise on opportunities existing within, and extending beyond, traditional asset classes.

There can be a wide degree of variation between the performance of particular investment strategies and, in relation to Absolute Return Funds, Investment Managers operating within each strategy. Everest believes that a rigorous investment process, coupled with principal-to-principal relationships, is a superior way of selecting investments which are likely to generate superior risk-adjusted performance relative to their peers.

Everest's strategy focuses on investing in Absolute Return Funds which Everest believes to be of high quality based on the assessment of a number of criteria including quality, competence and motivation of their people, investment track record, alignment of interests, strong risk management capabilities and business infrastructure.

Everest's process of selecting appropriate investments encompasses:

- sourcing of investments;
- initial screening of investments;
- transaction analysis and due diligence process;
- portfolio construction;
- risk management; and
- Investment Committee and decision making process.

PRODUCT DISCLOSURE STATEMENT

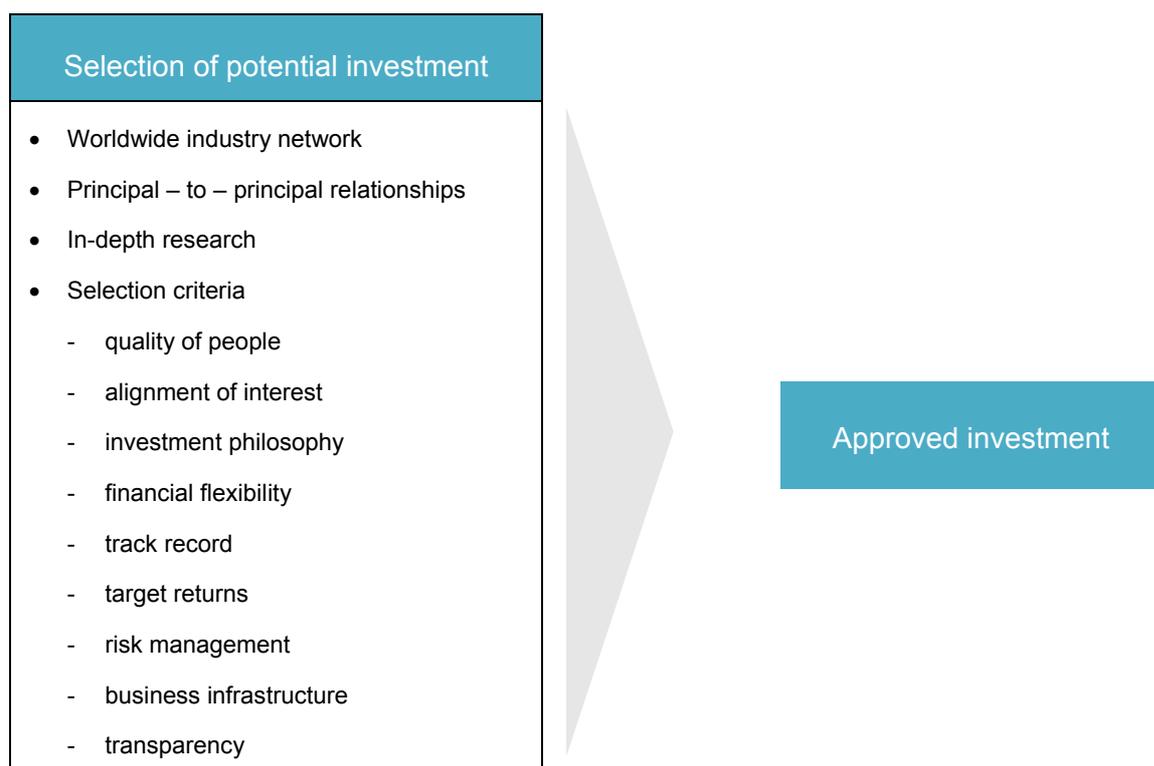
4. OVERVIEW OF EVEREST

4.1.4. Sourcing of investments

Everest has built an extensive worldwide network of contacts that provide the majority of introductions to potential investments.

4.1.5. Screening

Potential investments are initially screened according to a series of criteria. If a potential investment meets these initial criteria, further analysis is undertaken.



4.1.6. Investments and due diligence process

The investment and due diligence approach of Everest can be described as “qualitative with a quantitative overlay”. This entails a primary focus on the people, organisation and processes of an Investment Manager or Arranger before commencing statistical or financial analysis on the investment. During this process, face-to-face and telephone conference interviews will typically be held with the relevant portfolio manager(s), Arrangers, investment analysts, risk manager and chief financial officer. Where appropriate, Everest also undertakes a review of offering documents, regulatory filings, financial models and correspondence to investors relating to the investment.

Everest makes an assessment of the reputation and role of critical third party service providers including fund administrators, auditors and lawyers. Contacts within these organisations and from the broader Everest network are utilised to provide reference checks and peer assessment.

Completion of the investment analysis and due diligence process may take several months and provides Everest with a deep understanding of the people, investment process, risk controls and business infrastructure of the potential investment.

PRODUCT DISCLOSURE STATEMENT

4. OVERVIEW OF EVEREST

4.1.7. Portfolio construction and monitoring

The portfolio construction process starts with the pool of investments which meets Everest's evaluation criteria. In constructing portfolios to meet a specific investment objective, Everest seeks to achieve:

- a balance between optimal levels of return and risk, with a focus on capital preservation;
- a diversified investment strategy and geographic mix;
- low correlation of returns between the investments in the portfolio; and
- an acceptable level of liquidity in the portfolio.

Portfolio construction and monitoring are ongoing processes, with the characteristics of the EAIT Investment Portfolio continuously assessed by Everest's investment and risk management teams. New investments will be considered for addition to the EAIT Investment Portfolio over time and the EAIT Investment Portfolio may be changed where the analysis indicates that this would improve the overall return and risk characteristics.

4.1.8. Risk management

Risk is assessed and managed at multiple levels within a portfolio, encompassing market exposures, investment strategies, Investment Managers, Arrangers and underlying investments.

Risk analysis is conducted using Everest's proprietary models and analysis that take into account the following factors:

- diversification by investment type and investment strategy;
- diversification by geography and market;
- liquidity;
- worst-case scenario analysis;
- risk-adjusted target return analysis; and
- currency exposures and hedging.

Everest does not take into account labour standards or environmental, social or ethical considerations in the selection, retention or realisation of investments.

4.1.9. Investment and decision making process

Everest's Investment Committees are the principal bodies for investment decisions. All investments must be approved by the Investment Committee, which includes Everest's most senior and experienced executives.

A submission will be made to an Investment Committee only after the investment team has conducted rigorous analysis and due diligence on both the underlying investment and on the construction of the portfolio.

PRODUCT DISCLOSURE STATEMENT

4. OVERVIEW OF EVEREST

4.2. Everest's Board of Directors

Details of the Directors of Everest are provided below:

Jeremy Reid, Executive Chairman

Jeremy is the founder and chief executive officer of Everest. Under his strategic guidance and management, Everest Group has launched a range of Absolute Return Funds and AUM has grown from approximately \$5 million in February 2000 to its current levels. Jeremy has been an active investor and participant in global financial markets and managed funds for over a decade.

Aaron Budai, Executive Director

Aaron has 13 years experience working in finance and accounting functions of funds managers and investment banks. Prior to joining Everest Group he was the Executive Manager - Finance of an Investment/Superannuation Division of CBA/Colonial with \$25bn AUM representing over 250 products and hundreds of thousands of investors. Aaron spent seven years working in London for Citibank and UBS Warburg. Over the past 13 years he has developed a broad and thorough understanding of financial and management reporting for the financial services industry. Aaron holds a Bachelor in Economics from Macquarie University and is a Fellow of the ACCA (UK).

Gary Kalmin – Executive Director

Gary is responsible for corporate development and strategic initiatives to support the growth of the business. Gary joined from Challenger Financial Services Group where he spent more than five years in senior positions in corporate development and more recently as a Director and Head of Origination within the infrastructure business. In this role, Gary led many transactions and initiatives spanning across Europe, North America and Australia as well as the launch of the specialist funds business.

Gary also previously held corporate finance roles at PricewaterhouseCoopers in Sydney and Barclays Bank in London. He is a member of the Institute of Chartered Accountants of Australia, a Fellow of the Financial Services Institute of Australia and has an MBA from the Australian Graduate School of Management.

4.3. Everest's Senior Management

Details of the key members of the Everest management team are provided below:

Jeremy Reid, Chief Executive Officer

Jeremy is also a Director of Everest. His details are above.

Aaron Budai, Chief Financial Officer

Aaron is also a Director of Everest. His details are above.

Gary Kalmin – Head of Corporate Development

Gary is also a Director of Everest. His details are above.

PRODUCT DISCLOSURE STATEMENT

4. OVERVIEW OF EVEREST

Steve McKenna, Head of Absolute Return Funds

Steve has 14 years experience in investment markets through which he has developed a strong understanding of Absolute Return Fund strategies and the techniques for building coherent portfolios of alternative asset classes. Prior to joining Everest Group, he was employed as the senior investment analyst at The Capital Partnership, an absolute return focused multi-manager firm based in London. Steve's primary role involved investment analysis across a broad range of absolute return strategies. He was also responsible for portfolio construction and was a member of The Capital Partnership's investment committee. Steve previously spent six years in various positions at Macquarie Bank, including stockbroker and private banking manager. Steve holds a Bachelor of Economics from the University of Sydney, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and a Master of Applied Finance from Macquarie University. In addition, he holds a certificate in derivatives from the Securities Institute (United Kingdom).

Will Peterson, Head of Direct Investments

Will joined Everest Group as the Portfolio Manager for the Everest Group direct investment funds. In addition he has an input into the analysis of managers with credit related investments. Formerly he was Director of Structured Credit Risk at ABN Amro Australia and responsible for credit risk across a broad cross section of transactions involving infrastructure, structured property finance, leveraged finance and securitisation. He was previously employed by Dresdner Kleinwort Wasserstein in London and SG Australia in similar structured credit roles.

John Peterson, Chief Risk Officer

John has extensive investment management and capital markets experience having been in the industry for more than 25 years. Prior to joining Everest Group, he was the Head of Asset Consulting at van Eyk Research, with responsibility for asset allocations, portfolio construction and manager selection advice to major superannuation funds and wholesale investors. John's previous roles include Head of Investment Management and Chief Investment Officer of the Commonwealth Bank's Financial Services Division, senior derivatives trading, quantitative investment and risk management roles in investment banking and funds management with Bankers Trust Australia and five years working for the Reserve Bank of Australia. He has also held a number of independent board and compliance committee appointments with leading Australian investment managers including Platinum Asset Management. John holds a first class honours degree in Commerce (Economics) from the University of New South Wales and was a founding member of the Australian Institute of Quantitative Research in Finance (Q-Group).

PRODUCT DISCLOSURE STATEMENT

5. FEES AND COSTS

5.1. Consumer advisory warning

Government regulations require Everest to include the following standard consumer advisory warning. The information in the consumer advisory warning is standard across all product disclosure statements and is not specific to information on fees and costs in EAIT.

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 fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period.

(for example, reduce it from \$100,000 to \$80,000).

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

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

TO FIND OUT MORE

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

PRODUCT DISCLOSURE STATEMENT

5. FEES AND COSTS

5.2. Fees and other costs

5.2.1 Table of fees and other costs

This table 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 EAIT assets as a whole. Taxes are set out in Section 7 of this PDS. You should read all of 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 you subscribe or redeem Units in EAIT		
Establishment fee Everest does not charge Unitholders any establishment fees.	Nil	N/A
Exit Fee The fee on each amount you redeem from EAIT. Further details on the Exit Fee are set out in Section 5.2.2(a) below.	The Exit Fee payable in respect of each Withdrawal Offer is as follows: <ul style="list-style-type: none"> For the 31 December 2009 Withdrawal Offer, 7.5% of the Exit Price for each EAIT Unit being redeemed; and For a Semi-Annual Withdrawal Offer from 31 December 2010, there will be no Exit Fee, but Transaction Costs may apply. 	Everest may charge an exit fee on the withdrawal of EAIT Units (Exit Fee) on the terms contained in the relevant Withdrawal Offer. Everest is entitled to receive payment of all or some of its fees in the form of EAIT Units or cash.

PRODUCT DISCLOSURE STATEMENT

5. FEES AND COSTS

Fees and costs for managing your investment		
<p>Management fee</p> <p>Everest is entitled to receive a fee for managing EAIT and its investments.</p> <p>Further details on the management fee are set out in Section 5.2.2(b) below.</p>	<p>The management fee payable is between 1.25% p.a. (excluding GST) and 1.375% (including GST) of the gross value of EAIT's total assets net of any foreign exchange hedging liability as shown in EAIT's statement of financial position as at the end of each month, calculated and accrued monthly. EAIT's total assets for these purposes comprise all of the individual assets appearing in the consolidated financial statements of EAIT at the relevant date, which include (for the avoidance of doubt) the gross receivable under the EAIT Swap Leverage Facility and the gross asset value of Direct Investments. Total Assets include any gains on foreign exchange hedge instruments. Any loss on foreign exchange hedge instruments will be deducted from the Total Asset value.</p> <p>When calculating the portion of the management fee that is payable at the end of each month, that portion will be reduced in proportion to any part of that month in which Everest was not the responsible entity of EAIT or EAIT was not otherwise in existence.</p>	<p>The management fee is payable quarterly in arrears within 90 days from 31 March, 30 June, 30 September and 31 December each year.</p> <p>Everest is entitled to receive payment of all or some of its fees in the form of EAIT Units or cash.</p>
<p>Performance fee</p>	<p>Nil</p>	<p>N/A</p>
Additional service fees		
<p>Costs</p> <p>Everest is entitled to be paid or reimbursed out of EAIT's assets for the amount of all tax, costs, charges and expenses properly incurred by Everest in connection with the proper performance of its duties.</p> <p>Further details on Costs are set out in Section 5.2.2(c) below.</p>	<p>There is no fixed or maximum amount that Everest is entitled to be paid or reimbursed for costs incurred, provided the costs are properly incurred by Everest in connection with the proper performance of its duties.</p>	<p>There is no fixed time by or at which the costs incurred by Everest must be paid or reimbursed.</p> <p>Everest is to be paid or reimbursed from EAIT's assets.</p>

PRODUCT DISCLOSURE STATEMENT

5. FEES AND COSTS

5.2.2 Additional Explanation of Fees and Costs

(a) Exit Fee

The Exit Fee is payable to EAIT and for the benefit of EAIT (that is, the remaining EAIT Unitholders and not for the benefit of Everest).

(b) Management fee

As provided in the table above, Everest is entitled to receive between 1.25% p.a. (excluding GST) and 1.375% p.a. (including GST) of the gross value of EAIT's total assets net of any foreign exchange hedging liability as shown in EAIT's statement of financial position as at the end of each month, calculated and accrued monthly. EAIT's total assets (Total Assets) for these purposes comprise all of the individual assets appearing in the consolidated financial statements of EAIT at the relevant date, which include (for the avoidance of doubt) the gross receivable under the EAIT Swap Leverage Facility and the gross asset value of Direct Investments. Total Assets include any gains on foreign exchange hedge instruments. Any loss on foreign exchange hedge instruments will be deducted from the Total Asset value.

(c) Costs

Everest is entitled to be reimbursed for all tax, costs, charges and expenses which it properly incurs on behalf of EAIT including but not limited to;

- the promotion of EAIT (including preparation of any product disclosure statement, any capital raisings, travel, roadshows, advertising and promotional material and printing);
- licensing and other compliance matters (including any appointed compliance committee, licensing fees, Registry and Directors' fees);
- the appointment of any custodian, advisor, consultant or auditor;
- the preparation of financial statements and annual reports;
- administration and custody costs associated with the management of EAIT;
- meetings of EAIT Unitholders; and
- terminating and winding up EAIT.

Everest is also to be reimbursed out of the assets of EAIT for services rendered by the Directors in their capacity as directors of Everest (to a maximum of \$300,000 per annum, unless otherwise changed with the consent of EAIT Unitholders).

(d) Payment of fees in cash or units

Everest is entitled to receive payment of all or some of its fees (and any GST on those fees) in cash or in the form of EAIT Units.

Everest may issue EAIT Units to itself on the basis of the Issue Price available at the next Value Time immediately following the date the fees become payable.

(e) Can the fees change?

Everest cannot change the method by which the amount of fees are calculated, or increase the fees beyond the limits prescribed in the Constitution (if any), without the approval of Unitholders in accordance with the approval requirements set out in the Constitution.

PRODUCT DISCLOSURE STATEMENT

5. FEES AND COSTS

(f) Costs of the underlying investments

The Investment Managers of the funds in which EAIT will gain exposure (ie. the EAIT Investment Portfolio) may charge management and/or incentive fees, also referred to as performance fees, in connection with their role in relation to that investment, and are often entitled to be paid their expenses from the assets which they manage.

Everest estimates the average management fee and incentive fee to be in a range of 1.0% to 2.0% p.a. of the value of the notional investments within the Leverage Facility Portfolio. These fees are taken into account when determining the total value of the EAIT Investment Portfolio to which EAIT will be exposed under the EAIT Swap Leverage Facility. The exact amount of the fees depends on the extent to which EAIT has exposure to each different underlying fund and how well those funds perform.

EAIT may be charged entry fees or other one-off fees by Arrangers in relation to some Direct Investments. EAIT may also incur establishment costs associated with entering into some Direct Investments.

(g) GST

Input tax credits or reduced input tax credits for the GST charged to EAIT cannot be reasonably estimated until the EAIT Investment Portfolio has been established. Consequently, a range of fees has been disclosed.

Please refer to Section 7.3.7 of this PDS for details regarding GST for EAIT Unitholders.

PRODUCT DISCLOSURE STATEMENT

6. RISK FACTORS

There are a number of risks, both specific to EAIT and general investment risks, which may materially and adversely affect the future financial performance and financial condition of EAIT and the value of EAIT Units. This section describes a number of risks associated with an investment in EAIT Units. Prospective EAIT Unitholders should note that this list of risks is not exhaustive.

Many of these risks are outside the control of Everest. There can be no guarantee that EAIT will achieve its stated objectives.

Prior to making an investment decision, prospective EAIT Unitholders should read the entire PDS and carefully consider the following risk factors. Prospective EAIT Unitholders should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their accountant, financial advisor, stockbroker, lawyer or other professional advisor before deciding whether to invest.

6.1. Manager and underlying Investment Manager track records

Everest will rely on its own skills and contacts and those of the Investment Managers in connection with the operation of EAIT and the management of the EAIT Investment Portfolio. There is no guarantee that the process of selecting, recommending, implementing and monitoring of the investments will result in positive financial performance.

The past performance of funds managed by Everest and the Investment Managers is not a reliable indicator of future performance and past performance should not be the sole or dominant reason for choosing to participate in the Exchange Offer.

6.2. Underlying Absolute Return Funds performance

An investment in EAIT includes an indirect exposure to Absolute Return Funds via the EAIT Swap Leverage Facility. The value of EAIT's exposure under the EAIT Swap Leverage Facility to each of these individual funds may fall for many reasons including but not limited to:

- Poor investment strategy
- Changing conditions impacting investment strategies such as:
 - attractiveness of a sector relative to the broader markets;
 - profitability of a particular investment strategy; and
 - changes in a specific entity's operations, management, or its business environment.
- Excessive redemptions
- Due diligence failure or fraud
- Market and systemic risk

To manage these risks, Everest applies certain risk management procedures, including obtaining a thorough understanding of the investment strategies pursued by the Investment Manager of each Absolute Return Fund in which it invest. This includes detailed knowledge of the factors that drive each strategy's returns and the policies and limits used by the Investment Manager to manage their fund's risk.

6.3. Excessive redemptions

A large number of redemptions from any of the EAIT Swap Leverage Facility's underlying Absolute Return Funds could have a detrimental effect on EAIT.

Some Absolute Return Funds in the Leverage Facility Portfolio may hold relatively illiquid investments and large redemptions by investors in those funds may cause the value of those funds to fall rapidly and/or restrict the ability of EAIT to reduce its exposure to underlying Absolute Return Funds when required.

PRODUCT DISCLOSURE STATEMENT

6. RISK FACTORS

6.4. Incentive and other fees to underlying Investment Managers

Incentive fees, also referred to as performance fees, are often payable from Absolute Return Funds to the Investment Managers of those funds.

The remuneration of Investment Managers is calculated on an individual basis. Thus, a particular underlying Investment Manager whose performance has been positive during a particular payment period may earn an incentive fee, although performance of the EAIT Investment Portfolio as a whole may be negative during that payment period.

6.5. Loss of key personnel

Everest's performance is largely dependent on the talents and efforts of a number of highly skilled individuals. Everest's continued ability to perform effectively depends on the ability to retain and motivate existing employees as well as attracting new employees.

EAIT obtains exposure to a number of Absolute Return Funds that may also be heavily dependent on the skill of key personnel of individual underlying Investment Managers.

6.6. Due diligence, regulatory environment and fraud

Everest performs due diligence on the underlying Absolute Return Funds and the Direct Investments prior to investment, and regularly monitors the EAIT Investment Portfolio. Everest cannot, however, monitor the day-to-day activities of third parties such as Absolute Return Funds, their Investment Managers, Arrangers, issuers and servicers of debt and equity securities and other service providers. In addition, a number of Absolute Return Funds and Direct Investments may operate in a legal environment where they are not specifically regulated. As a result, there can be no assurance that Everest's investment and risk management processes will prevent conduct standards being compromised.

6.7. Service provider underperformance

EAIT may invest via a securitisation vehicle or other entity where the trustee or other responsible entity appoints third parties to administer or manage underlying exposures. Should a service provider fail to prudently administer the vehicle or enforce loans that fall into arrears the risk of default is likely to increase.

6.8. Babcock & Brown Limited

The Direct Investments are in structures where Babcock & Brown has a material role in some respect, such as equity investor, originator or manager. If an event of business disruption or insolvency was to occur in respect to Babcock & Brown, this could adversely impact on the value of the Direct Investments and/or EAIT's rights in relation to those investments.

6.9. Replacement of Everest as the Responsible Entity and Manager

Everest may resign or be removed as responsible entity of EAIT in accordance with the Corporations Act. Accordingly there can be no assurance that Everest will remain the responsible entity of EAIT or will continue to manage EAIT's Investment Portfolio.

If Everest retires or is removed as responsible entity, the replacement responsible entity may not be able to identify an appropriately qualified replacement for the manager of EAIT in these circumstances.

The Leverage Facility Provider will have a right to terminate the EAIT Swap Leverage Facility if Everest is removed as responsible entity of EAIT. Accordingly, there is a risk that if Everest retires or is removed as responsible entity, the EAIT Swap Leverage Facility may be terminated.

PRODUCT DISCLOSURE STATEMENT

6. RISK FACTORS

6.10. Liquidity risk

EAIT Unitholders will be required to give EAIT up to 180 days notice that they wish their EAIT Units to be redeemed at the appropriate discount (if any) to NTA.

The indirect investments exposures of the EAIT Swap Leverage Facility may also experience limited or no liquidity and therefore these exposures should be regarded as illiquid investments. Some of the EAIT Swap Leverage Facility's exposures may be highly illiquid and realisation of those exposures may take a considerable period of time.

As with the exposures of the EAIT Swap Leverage Facility, the Direct Investments may also experience limited or no liquidity and therefore the Direct Investments should be regarded as illiquid investments. In addition, in the case of Direct Investments which are unlisted securities, there may be no established secondary market for those securities.

6.11. Suspension or delay of redemptions

Everest reserves the right to suspend or delay redemptions of EAIT Units at its discretion in accordance with EAIT's Constitution (see Section 8.3.9). Everest may be required to do so if redemptions exceed available liquidity.

While Everest may also from time to time endeavour to match EAIT Unitholders wishing to redeem their EAIT Units with potential buyers of those Units, Everest cannot, and does not, guarantee that there will be available buyers for EAIT Units.

Prospective EAIT Unitholders should therefore view an investment in EAIT as medium-to-long term and illiquid.

6.12. Concentrated investment risk

Currently, EAIT's investments are focused on the Absolute Return Funds. While Everest will seek to maintain an EAIT Investment Portfolio diversified across Investment Managers and strategies, there is a risk that the performance of the Absolute Return Funds in the EAIT Investment Portfolio may be correlated which could lead to periods of underperformance.

It is also possible that Absolute Return Funds or Direct Investments may be exposed to the same security or group of securities at the same time. This will subject EAIT to a more rapid change in value than would be the case if such assets were more widely diversified.

6.13. Taxation

Changes to tax law, interpretation or practice could adversely affect the tax treatment of an investment in EAIT and, indirectly, the tax treatment of EAIT's investments, for example the investment exposures obtained through the EAIT Swap Leverage Facility.

6.14. Change in laws or regulators

Changes in laws or regulations, or the interpretation of such, may have legal, tax or accounting consequences that are adverse to EAIT, the underlying Absolute Return Funds or Direct Investments which comprise the EAIT Investment Portfolio.

6.15. Leverage Risk

The EAIT Swap Leverage Facility is a derivative product that provides an exposure to a group of Absolute Return Funds and includes a notional leverage component. In addition, a number of the underlying Absolute Return Funds and Direct Investments may also use various forms of leverage.

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Although the use of leverage may enhance returns, it may also exacerbate losses where there is a reduction in the value of the investments or where the cost of the leverage outweighs the returns from a leveraged investment. Returns from leveraged investments are therefore more volatile than returns from the same investments which are not leveraged. Additionally, all or part of the amount invested may be at risk under where the value of the relevant investment falls to an amount which is equal to or less than the amount of leverage (and foreign exchange exposure).

Additionally, the initial lowering of the EAIT's total debt to asset ratio following the completion of the Exchange Offer may have a negative effect on returns.

6.16. Termination of EAIT Swap Leverage Facility

The Leverage Facility Provider may have a right to terminate the EAIT Swap Leverage Facility where, amongst other things, steps are taken to wind-up EAIT, Everest ceases to be the responsible entity or manager of EAIT, there is a change in control of Everest or a change in key personnel of Everest. If the EAIT Swap Leverage Facility is terminated as a result of an event of default or termination event, the payment obligations of the parties will be determined under and in accordance with the terms of section 6 of the ISDA master agreement. These provisions will enable the calculation of the amount then outstanding under the EAIT Swap Leverage Facility and the close out amount payable between the parties. The close out amount is intended to compensate the non-defaulting party for its losses and costs incurred as a consequence of the early termination of the transactions. Conversely, any gains that may accrue to the non-defaulting party are also accounted for. In determining the close out amount, the non-defaulting party is required to act in good faith and to use commercially reasonable procedures in order to produce a commercially reasonable result.

6.17. Payments to reduce EAIT Swap Leverage Facility

The proceeds received from Investment Portfolio redemptions and asset maturities may be used to pay down the EAIT Swap Leverage Facility or outstanding foreign exchange hedging liabilities which may in turn reduce the amount of available cash to redeem EAIT Unitholders.

6.18. Managed Investment Trust (MIT) Rules

Australian tax may be withheld from fund distributions to non-resident unitholders to the extent the distributions comprise Australian sourced income or capital gains in respect of the disposal of assets which are considered to be Taxable Australian Property under the Australian income tax provisions. Under Australia's new MIT rules, a new withholding tax regime has been introduced to reduce the rate of withholding applying to distributions of Australian source net income (other than dividends, interest and royalties) to certain foreign investors in Australian MIT's. EAIT should qualify as an MIT and therefore should be able to make fund payments to EAIT Unitholders in certain jurisdictions at the following withholding tax rates:

- 2009 income year: 22.5% non-final tax
- 2010 income year: 15% final tax and
- 2011 income year: 7.5% final tax

There is a risk that payments made by EAIT to non-resident EAIT Unitholders in certain jurisdictions could be subject to a higher withholding tax rate if EAIT ceases to be an MIT in the future.

6.19. Credit and default risk on Subordinated Debt Investments

Subordinated Debt Investments are exposed to risk of default, which means that the borrower is unable to make payments of either income and/or principal. Should the issuer of a Subordinated Debt Investment fail to make payments when due, this could lead to a reduction in the value of EAIT's Investment Portfolio and a loss of capital for EAIT Unitholders. In addition, a decline in the creditworthiness of the issuer of a debt or equity security could result in the sale of that security for less than the issue price or original price paid for the security. Default

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risk is a greater concern for high yield securities and the debt of issuers whose ability to pay interest and principal may be considered speculative. Individual investments may be unsecured and may rank behind obligations owed to third parties in priority, including (amongst others) trade creditors, regulatory and or tax authorities, the senior lenders and employees. If the issuer or borrower becomes insolvent, EAIT may lose some or all of the capital invested by it.

6.20. Valuation of direct illiquid assets

In the current market environment the Subordinated Debt markets are neither active nor liquid and one would expect any transactions that do occur to include a forced seller. As such, one may not be able to determine the market value of the Subordinated Debt Investments in accordance with accounting standard definitions.

6.21. Pre-emptive rights risk

Direct Investment arrangements entered into by EAIT may be highly structured and involve the use of pre-emptive rights including put or call options. While investments and related rights are generally negotiated proactively on an arms length basis, there is a risk that the existence or enforcement of these pre-emptive rights may restrict EAIT's investment decisions in relation to that particular asset in the future.

6.22. Interest rate and inflation risk

Interest rate and inflation rate movements may adversely affect the general business, financial and economic climate worldwide, and hence, the value of the EAIT Investment Portfolio.

If interest rates rise the prices of Subordinated Debt Investments generally may decline, if interest rates decline the prices of Subordinated Debt Investments generally may increase. The impact of interest rate changes will have a greater impact on Subordinated Debt Investments with longer maturity dates or where rate interest payments are at a fixed rate (versus variable).

Increasing inflation can also erode the real value of Subordinated Debt Investments and income streams.

Movements in interest and inflation rates may also impact the valuation of Equity Co-Investments, especially if such investments have longer investment horizons.

6.23. Leverage Facility Provider Credit risk

There is a risk that the Leverage Facility Provider could fail to discharge an obligation and cause EAIT to incur financial losses.

The financial instruments of EAIT are not generally transacted on recognised exchanges and the EAIT Swap Leverage Facility is with a single counterparty. EAIT therefore has a concentration of credit risk to the Leverage Facility Provider and the counterparty to forward currency contracts. However, EAIT mitigates this credit risk through the negotiation and structuring of the EAIT Swap Leverage Facility. In the event of insolvency of the Leverage Facility Provider, EAIT will be granted security to support the obligations of the Leverage Facility Provider under the EAIT Swap Leverage Facility. This security is further described in Section 8.6.4.

The security interests granted or to be granted in favour of Everest to secure the obligations of the EAIT Swap Leverage Facility Provider under the terms of the EAIT Swap Leverage Facility are subject to certain general law and statutory duties, obligations, prohibitions and limitations.

The obligations of the Leverage Facility Provider under the EAIT Swap Leverage Facility are not deposit liabilities of the Leverage Facility Provider. In this regard, EBIT Unitholders should note that section 13A of the Banking Act 1959 (Cth) provides that in the event of the Leverage Facility Provider becoming unable to meet its obligations, the assets of the Leverage Facility Provider in Australia (which may include assets secured under the Charges, described in Section 8.6.4) shall be available to meet its deposit liabilities in Australia as well as its liabilities to

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APRA in priority to all of its other liabilities (which includes the liabilities of the Leverage Facility Provider under the EAIT Swap Leverage Facility).

6.24. Ongoing exposure to the same hedge fund investments as EBI

EBI and EAIT will pursue different investment strategies following the implementation of the proposed Exchange Offer (for further details of the likely strategic direction of EBI, refer to the Supplementary Meeting Booklet accompanying this PDS).

There is a material portion, which may exceed 50% of the current EBI Investment Portfolio, held notionally through the Swap Leverage Facility that cannot or will not be moved from the Existing EBI Account. This portion of the EBI Investment Portfolio will be treated as a liquidating pool. As a precondition to the new EAIT and EBI Leverage Swap Facilities, the Leverage Facility Provider has requested irrevocable redemption requests to be submitted for all assets that form the liquidating pool. The redemption proceeds of these assets will be directed in the Relevant Proportions to the EAIT Account and the New EBI Account pursuant to the arrangements described in Section 8.6.2 below.

It is possible that the underlying hedge fund manager may require further guidance and/or instructions from the Leverage Facility Provider which could involve choices to be made by the Leverage Facility Provider that might impact on the redemption profile and/or value of that underlying investment. The Leverage Facility Provider would in turn seek guidance and/or instructions from the respective responsible entities and managers of EBI and EAIT, who could have contrary views on these matters. In relation to the foregoing, there is no guarantee that the Leverage Facility Provider will act in accordance with the guidance and/or instructions of Everest in such circumstances.

The majority of investments in the liquidating pool have a redemption date within 9 months of the Exchange Offer.

6.25. Rollover risk

There can be no guarantee that at the date of maturity of the EAIT Swap Leverage Facility that Everest will be able to acquire further leverage from the relevant Leverage Facility Provider on the same or more favourable terms.

6.26. Documentation risks

The EAIT Swap Leverage Facility is governed by a complex series of legal documents and contracts. As a result, the risk of dispute over interpretation or enforceability of the documentation may be higher than for other investments.

6.27. Liquidity and cash flow interest rate risk

Liquidity risk is the risk that Everest will encounter difficulty in raising funds to meet commitments associated with the Leverage Facilities. Cash flow interest rate risk is the risk that future cash flows related to the Leverage Facilities will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk Everest invests in accordance with agreed Investment Guidelines and leverage ratios. Everest also implements its foreign exchange hedging program in a manner that facilitates effective cash flow management.

6.28. Currency and interest rate risks

There are foreign exchange and interest rate exposures that may not be hedged. Foreign exchange and interest rate movements may adversely affect EAIT's returns and Net Tangible Assets.

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6.28.1. Reduced disclosure and corporate governance requirements

As an unlisted entity, EAIT will not be subject to the ASX Corporate Governance Council Recommendations and does not require an ASX Governance Board. Therefore, there is potential for decreased corporate governance compared to an ASX listed entity.

Furthermore, as an unlisted trust, EAIT will not be subject to the Listing Rules, the takeover provisions, or the requirements in the Corporations Act concerning the disclosure of substantial holdings.

Notwithstanding the above, as a managed investment scheme registered with ASIC, EAIT is required under the Corporations Act to have a compliance plan. An external compliance committee is responsible for ensuring EAIT complies with the compliance plan, the Constitution and the Corporations Act. The committee consists of a majority of external, independent members. It has the power to report any issues and/or breaches to the Board or ASIC.

6.29. Other risks

Other risks associated with EAIT's Investment Portfolio include, but are not limited to:

- valuation of Absolute Return Funds, which may be based on interim or estimated valuations;
- lack of independent operating history of Investment Managers;
- exposure to small to medium sized and financially troubled companies;
- exposure to non-investment grade high yield securities;
- investments in foreign countries may be subject to additional risks not present in domestic investments;
- exposure to investments in Absolute Return Funds involves business and operational related risks; and
- investments which may be governed by complex legal documents and contracts. As a result, the risk of dispute over interpretation or enforceability of the documentation may be higher.

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7. TAX IMPLICATIONS FOR EBI AND EAIT UNITHOLDERS

The Australian taxation information provided below is intended as a brief guide only. It is based on existing Australian income tax, GST and stamp duty law and established interpretations as at the date of this PDS. The following commentary is only provided for EBI and EAIT Unitholders who are individuals resident in Australia for income tax purposes and hold their units in EBI and EAIT on capital account. Other investors will need to seek their own taxation advice.

As the precise taxation implications will depend upon each EBI and EAIT Unitholder's specific circumstances, we recommend you seek your own professional tax advice. Neither Everest, its related bodies corporate, associates, officers and employees, nor its taxation and other advisors accept any liability or responsibility in respect of any statements concerning the Australian taxation consequences of accepting the Exchange Offer and investing in EAIT.

7.1. Tax position of Australian resident EBI Unitholders who accept the Exchange Offer

7.1.1. Income tax implications of accepting the Exchange Offer

EBI Unitholders who accept the Exchange Offer will subscribe for one EAIT Unit for every one EBI Unit that is tendered into the Exchange Offer and then the EBI Unit that is the subject of the Exchange Offer will be cancelled.

EBI Unitholders who accept the Exchange Offer may be presently entitled to their share of the taxable income of EBI (if any). This share of taxable income will be treated as an entitlement to part of EBI's income for the year and should be included in the EBI Unitholder's assessable income.

A participating EBI Unitholder may make either a profit, a loss, or a nil result in respect of the Exchange Offer depending upon the capital proceeds received for the Exchange Offer when compared to the EBI Unitholder's cost base for their EBI Units.

The capital proceeds received by the participating EBI Unitholders will be equal to the withdrawal price received for the EBI Units. A participating EBI Unitholder will make a capital gain in respect of the Exchange Offer where the capital proceeds received exceed the EBI Unitholder's cost base for their EBI Units. This capital gain can be reduced by the amount of the distribution representing a share of EBI's taxable income (if any). A participating EBI Unitholder will make a capital loss in respect of the Exchange Offer where the capital proceeds received are less than the reduced cost base for their EBI Units. EBI Unitholders should be aware that the CGT cost base and reduced cost base for their EBI Units may be reduced by the non-assessable component of distributions previously received from EBI (if any).

Participating EBI Unitholders should be aware that the cash payment of the withdrawal price in respect of the EBI Units will be contemporaneously applied to pay the subscription price for the EAIT Units. As a result, where a participating EBI Unitholder makes a capital gain or where part of the distribution represents a share of EBI's taxable income, the EBI Unitholder will need to make arrangements to pay the related Australian income tax.

EBI Unitholders that are individuals who make net capital gains (i.e. after offsetting current year capital losses and prior year net capital losses) may be entitled to a capital gains tax ("CGT") discount of 50%, where they have held their EBI Units for more than 12 months prior to disposal and the other requirements (if applicable) of the CGT discount are met.

Participating EBI Unitholders will obtain a cost base for the EAIT Units issued as part of the Exchange Offer equal to the withdrawal price for the EBI Units cancelled at the time of the exchange.

Participation in the Exchange Offer may be more favourable or less favourable for EBI Unitholders from an income tax perspective depending upon the EBI Unitholders' particular circumstances. Accordingly, EBI Unitholders are strongly recommended to seek their own independent tax advice based on their particular circumstances prior to accepting the Exchange Offer.

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7. TAX IMPLICATIONS FOR EAIT UNITHOLDERS

7.1.2. Stamp duty implications of accepting the Exchange Offer

As the unit register of EAIT will be kept and maintained in Victoria, no marketable security duty will be payable on the issue of EAIT Units to Unitholders.

At the time of the issue of EAIT Units to Unitholders, a number of Australian states (Queensland and South Australia) have "trust look through" provisions that treat dealings in units as dealings in the property of EAIT with a sufficient (dutiabale) connection to the relevant state.

The South Australian "trust look through" provisions do not apply to EAIT as it will be a registered managed investment scheme under the *Corporations Act* at the time of the issue.

EAIT does not currently own and should not acquire as a result of the Exchange Offer any Queensland property under the rules of these trust look through provisions. Whilst the EAIT Swap Leverage Facility documentation has yet to be finalised at the date of this PDS, Everest will manage the exposure to this stamp duty risk in relation to this as well as other future assets of the EAIT. On this basis, no stamp duty under these trust look through provisions should apply to the issue of EAIT Units to Unitholders.

Investors should obtain their own stamp duty advice on any dealing in the units of EBIT and EAIT.

7.2. Tax position of EAIT after the Exchange Offer

7.2.1. Liability for income tax for EAIT

Generally, it is Everest's intention that EAIT Unitholders will be presently entitled to all of the taxable income of EAIT, including any realised gains, at the end of each tax year of EAIT (30 June each year). On this basis, Everest should not be liable for income tax on the taxable income of EAIT.

Despite the above, EAIT may be taxed like a company in certain circumstances, where either EAIT is a corporate unit trust, as defined in Division 6B of the *Income Tax Assessment Act 1936*, or is a public trading trust as defined in Division 6C of that Act, in respect of a tax year. Whether Division 6B or Division 6C will apply for a particular tax year will depend upon the activities of EAIT in that year.

7.2.2. Tax Losses of EAIT

Any tax loss made by EAIT in any income year will not flow through to EAIT Unitholders, but may be carried forward by EAIT and used to offset EAIT's taxable income in future years, subject to the trust loss rules. EAIT Unitholders should be aware that the trust loss rules restrict the circumstances in which a trust may claim an allowable deduction for prior and current year tax losses. Broadly, EAIT will need to show a greater than 50% continuity of underlying ownership before EAIT can utilise tax losses.

In the event EAIT makes foreign sourced tax losses, EAIT will be able to offset the foreign losses against other assessable income of EAIT.

7.3. Tax position of Australian resident EAIT Unitholders after the Exchange Offer

7.3.1. Liability for income tax for EAIT Unitholders

EAIT Unitholders will generally be assessable on, and will need to report in their income tax returns, their proportionate share of the taxable income of EAIT in respect of each income year of EAIT. EAIT Unitholders will be assessable where they have an entitlement to income from EAIT, even if that entitlement has not yet been satisfied because a Distribution is yet to be made or because Distributions are reinvested into EAIT.

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7. TAX IMPLICATIONS FOR EAIT UNITHOLDERS

Given the nature of the proposed investments of EAIT, it is not anticipated that EAIT will derive capital gains, and therefore the CGT discount is unlikely to be available in relation to the EAIT Unitholder's share, or part thereof, of EAIT's taxable income.

EAIT may acquire offshore investments and accordingly derive foreign sourced income. To the extent that EAIT makes a Distribution of foreign sourced income, EAIT Unitholders will be advised of the foreign sourced component of their share of EAIT's taxable income in their distribution statements. Foreign tax paid by EAIT on its foreign income may be available as a foreign income tax offset against EAIT Unitholders' Australian income tax payable (see further discussion below).

Where EAIT makes a Distribution to an EAIT Unitholder in excess of the EAIT Unitholder's proportionate share of the taxable income of EAIT, the excess is a non-assessable component of EAIT's distribution. The EAIT Unitholder's cost base in their units for CGT purposes will, however, be reduced by the amount of the non-assessable component. If the cumulative amount of such non-assessable components exceeds the EAIT Unitholder's cost base in their units, the excess will be a capital gain to the EAIT Unitholder.

Although EAIT Unitholders are not required to quote a Tax File Number ("TFN") to EAIT, if an EAIT Unitholder does not quote a TFN or provide appropriate TFN exemption information, EAIT is required to withhold tax from any income Distribution. EAIT Unitholders who hold their units in EAIT as part of their business may quote their Australian Business Number ("ABN") instead of their TFN. Please refer to the Tax File Number/Australian Business Number section below for further details.

7.3.2. Foreign income tax offsets

If an EAIT Unitholder's share of EAIT's income includes a deduction for an amount of foreign tax paid by EAIT, EAIT Unitholders may be able to claim a foreign income tax offset against their Australian income tax payable, subject to their own circumstances.

The amount of the foreign income tax offset available is subject to a cap. Broadly, the cap is the greater of:

- \$1,000; or
- An amount based on the Australian income tax payable on the taxpayer's foreign sourced income, with certain adjustments.

A taxpayer does not need to calculate the second cap amount if they elect to use the \$1,000 cap. Given these calculations can be complex, EAIT Unitholders should seek their own independent tax advice.

Any excess foreign income tax offset amount cannot be carried forward by taxpayers to future income tax years. EAIT Unitholders are not entitled to a refund for any excess foreign income tax offsets for an income year.

7.3.3. Disposal or redemption of EAIT Units

The disposal or redemption of unit(s) in EAIT held by an EAIT Unitholder will give rise to either a profit, a loss, or a nil result depending upon the net market value of the unit(s) at the time of disposal or redemption when compared to an EAIT Unitholder's cost base in the EAIT Unit(s).

An EAIT Unitholder will make a capital gain in respect of the disposal of a unit in EAIT where the proceeds received for the unit exceed the cost base for the unit. An EAIT Unitholder will make a capital loss in respect of the disposal of a unit in EAIT where the proceeds received for the unit are less than the reduced cost base for the unit. EAIT Unitholders should be aware that the cost base for units may be reduced by the non-assessable component of distributions from EAIT (as outlined above).

Where an EAIT Unitholder redeems units in EAIT, it is intended that the EAIT Unitholder making the redemption will be presently entitled to a share of the income (if any) of EAIT as at the date of redemption as determined by Everest. Any part of the redemption proceeds representing a share of the taxable income will be treated as an

PRODUCT DISCLOSURE STATEMENT

7. TAX IMPLICATIONS FOR EAIT UNITHOLDERS

entitlement to part of EAIT's taxable income for the year and should be included in the EAIT Unitholder's assessable income.

Whether a gain on redemption (if any) or disposal is taxable on revenue or capital account will be dependent on the EAIT Unitholder's specific circumstances. EAIT Unitholders that are individuals who make net capital gains (i.e. after offsetting current year capital losses and prior year net capital losses) may be entitled to a CGT discount of 50% where they have held their EAIT Units for more than 12 months prior to disposal and the other requirements (if applicable) of the CGT discount are met.

7.3.4. Interest and other deductions

EAIT Unitholders should, subject to their own circumstances, be entitled to a tax deduction for interest expenses incurred in borrowing to acquire units in EAIT. It is noted that specific rules, such as the thin capitalisation provisions, if applicable to an investor, may operate to limit the availability of debt deductions, such as interest payments.

As noted above, if EAIT derives foreign sourced income, losses or outgoings incurred by an EAIT Unitholder in deriving this foreign sourced income may be offset against both Australian and foreign sourced income of the EAIT Unitholder.

EAIT Unitholders should contact their own tax advisor to determine the deductibility of interest payments and other costs in respect of their particular circumstances.

7.3.5. Stamp Duty

As the unit register of EAIT will be kept and maintained in Victoria, under current law, there is no marketable security duty on any dealings in the units of EAIT. Dealings in the units in EAIT include an issue, redemption, transfer of units or calls on units.

At the time of issue, a number of Australian states (Queensland and South Australia) have "trust look through" provisions that treat dealings in units as dealings in the property of the Fund with a sufficient (dutiab) connection to the relevant state. The South Australian "trust look through" provisions do not apply to EAIT as it is a registered managed investment scheme. EAIT currently does not own any Queensland property and should not acquire, as a result of the Exchange Offer, any Queensland property under these trust look through provisions. Whilst the EAIT Swap Leverage Facility documentation has yet to be finalised at the date of this PDS, Everest will manage the exposure to this stamp duty risk in relation to this as well as other future assets of the EAIT.

EAIT Unitholders should seek their own stamp duty advice in relation to the subscription, redemption or acquisition of units in EAIT.

7.3.6. Annual Tax Statement

Where EAIT has distributed income for the year, an annual tax statement will be sent to EAIT Unitholders after 30 June each year indicating the tax components of the Distribution.

7.3.7. GST

No GST should be payable in respect of the acquisition or disposal of the units in EAIT. Further, no GST should be payable in respect of Distributions paid by EAIT.

EAIT Unitholders are not able to claim any GST included in their expenses relating to the acquisition or disposal of units in EAIT, for example, lawyers' and accountants' fees. Where an EAIT Unitholder is registered for GST, the EAIT Unitholder may be entitled to claim a reduced input tax credit on certain acquisitions which qualify as Reduced Credit Acquisitions ("RCAs"). RCAs are listed in the GST Regulations.

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7. TAX IMPLICATIONS FOR EAIT UNITHOLDERS

Where EAIT Unitholders undertake borrowings to acquire units in EAIT, no GST should be levied in respect of these loans. Further, EAIT Unitholders may not be able to claim any GST incurred on costs in respect of funding their investment. EAIT Unitholders should contact their own professional tax advisors to determine the treatment of their funding costs.

EAIT Unitholders should seek their own advice as to how GST impacts upon them.

7.3.8. Tax File Number/Australian Business Number

Providing your TFN is not compulsory. However, without your TFN or appropriate exemption information, we are required to withhold tax from certain components of your distributions at the highest marginal tax rate (plus Medicare levy) until your TFN or exemption is quoted. An ABN may be used as an alternative to a TFN if your investment in EAIT is undertaken in the course of carrying out an enterprise. We are authorised under taxation laws to collect TFNs in connection with your investment.

Please note, after 21 July each year, the law prevents us from refunding any tax deducted in error in the previous financial year. After this date, an EAIT Unitholder will be entitled to claim a credit on assessment for the amount deducted or, if this is not appropriate, an EAIT Unitholder can apply directly to the Commissioner of Taxation for a refund of the tax deducted.

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8. ADDITIONAL INFORMATION

8.1. Registration and corporate structure

8.1.1. Registration

Everest was registered as an Australian public company in New South Wales on 19 May 2000.

EAIT was registered with ASIC as a registered managed investment scheme on 17 December 2008.

8.1.2 Class of EAIT Units

EAIT has one class of EAIT Units on issue. The EAIT Units, the subject of the Exchange Offer, are ordinary EAIT Units.

Everest may in the future issue other classes of units with such rights and obligations as it determines, in accordance with EAIT's Constitution.

8.2. The compliance committee

As required, Everest has established a compliance committee with a majority of external members. The compliance committee's functions include:

- Monitoring Everest's compliance with the compliance plan and reporting its findings to Everest;
- Reporting breaches of the Corporations Act and the Constitution to the Board and (where applicable) to ASIC;
- Assessing the adequacy of the compliance plan and recommending any changes; and
- Undertaking any ancillary matters.

The compliance committee must meet at least each quarter, unless notified otherwise.

8.3. Terms of EAIT's Constitution

Please refer below for an outline of the key terms of the Constitution. It is not intended to be an exhaustive summary of the rights and obligations of EAIT Unitholders. EAIT Unitholders (including prospective EAIT Unitholders) who wish to inspect the Constitution, may do so at the registered office of Everest during normal office hours.

8.3.1. When EAIT starts and ends

EAIT starts on the date the first EAIT Unit is issued and terminates on the first of:

- its 80th anniversary, if the law has such a rule against perpetuities;
- the date Everest tells EAIT Unitholders it terminates; or
- any date the law requires.

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8. ADDITIONAL INFORMATION

8.3.2. Voting

At a general meeting of EAIT, every EAIT Unitholder is entitled to vote may vote in person or by proxy, attorney or representative and has:

- on a show of hands, one vote; and
- on a poll, one vote for every dollar of the value of the total interests they have in EAIT.

Voting at any EAIT Unitholder meeting is by a show of hands unless the resolution to be passed is a special resolution or a poll is demanded.

8.3.3. Meetings of EAIT Unitholders and notices

Each EAIT Unitholder is entitled to receive notice of, attend and vote at EAIT Unitholder meetings and to receive all notices, accounts and other documents required to be sent to EAIT Unitholders under the Constitution or the Corporations Act.

8.3.4. Variation or Cancellation of rights

Subject to the Corporations Act, Everest may vary or cancel the rights and obligations attaching to any class of EAIT Units:

- with the written consent of EAIT Unitholders holding at least 75% of the EAIT Units issued in that class; or
- with the approval of a special resolution passed at a meeting of EAIT Unitholders holding the EAIT Units of that class.

8.3.5. Issue of EAIT Units

Subject to the Corporations Act, Everest may allot, issue or otherwise dispose of EAIT Units to any persons on any terms and conditions, at the Issue Price and at those times as Everest thinks fit.

The issue price (**Issue Price**) per EAIT Unit is:

- for the first EAIT Unit issued, \$0.01 per unit; and
- for any subsequent EAIT Units issued, at a price equal to the most recently announced "Current Unit Vale" prior to the date the offer to issue EAIT Units is announced, which is to be determined in accordance with the formula set out below:

$$\frac{\text{Net Asset Value} + \text{Transaction Costs}}{\text{Number of EAIT Units on issue}}$$

The Issue Price may be rounded up or down to 1% or one cent as Everest chooses.

8.3.6. Transfer of EAIT Units

EAIT Unitholders may transfer EAIT Units by proper transfer (duly stamped if necessary) effected in accordance with the Corporations Act and Constitution. Everest may refuse to register a transfer of EAIT Units, including in circumstances where there is a lien on the EAIT Units the subject of the transfer.

The transferor of an EAIT Unit remains the holder of the EAIT Unit until the name of the transferee is entered in the Register in respect of that EAIT Unit.

PRODUCT DISCLOSURE STATEMENT

8. ADDITIONAL INFORMATION

8.3.7. Distributions

The amount of distributions payable to an EAIT Unitholder will depend on the number of EAIT Units held by that EAIT Unitholder. At the end of each income year, EAIT Unitholders are entitled to a share of EAIT's income in proportion to the number of EAIT Units held by that EAIT Unitholder relative to the total number of EAIT Units on issue.

Distributions may be paid:

- in cash;
- by transfer of EAIT's assets; or
- by additional EAIT Units,

or a mix of the above three methods.

8.3.8. Distribution Reinvestment Plan

Everest may implement a distribution reinvestment plan from time to time, on terms determined by Everest, for cash distributions paid by Everest to be reinvested by way of subscription for EAIT Units, at the Issue Price.

8.3.9. Redemption of EAIT Units

EAIT Unitholders may ask to have their EAIT Units redeemed at any time, but there is no obligation for Everest to satisfy the request, other than where the request is in relation to the 31 December 2009 Withdrawal Offer or a Semi-Annual Withdrawal Offer referred to in Section 2.3.

Everest can compulsorily redeem EAIT Units in the following circumstances:

- If the EAIT Unitholder has breached its obligations to Everest;
- To satisfy any amount of money due to it (as responsible entity or in any other capacity relevant to EAIT) by the EAIT Unitholder;
- To satisfy any amount of money (as responsible entity or in any other capacity relevant to EAIT) owes someone else relating to the EAIT Unitholder (for example, to the Australian Tax Office);
- If the Constitution otherwise allows (eg. Everest nominates a date to terminate EAIT as described in Section 8.3.1); or
- Where Everest suspects that law prohibits the person from legally being an EAIT Unitholder;

Since EAIT is not liquid, EAIT Units may only be redeemed in accordance with the terms of a Withdrawal Offer (including the 31 December 2009 Withdrawal Offer and the Semi-Annual Withdrawal Offer) made by Everest.

Subject to payment of any applicable Exit Fee, EAIT Units must be redeemed at the Exit Price.

The exit price of EAIT Units (**Exit Price**) is to be determined in accordance with the following formula:

$$\frac{\text{Net Asset Value} - \text{Transaction Costs}}{\text{Number of EAIT Units on issue}}$$

It is also proposed that Everest is entitled to charge an EAIT Unitholder an Exit Fee on the Exit Price on the terms contained in the relevant Withdrawal Offer.

PRODUCT DISCLOSURE STATEMENT

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The Exit Fee is payable to EAIT and for the benefit of EAIT (that is, the remaining EAIT Unitholders and not for the benefit of Everest). For the 31 December 2009 Withdrawal Offer the Exit Fee will be 7.5% of the Exit Price for each EAIT Unit being redeemed. For each Semi-Annual Withdrawal Offer, there will be no Exit Fee, but Transaction Costs may apply. See Section 5.2 for further details.

8.3.10. Winding up EAIT

On a winding up of EAIT and subject to the rights of EAIT Unitholders holding EAIT Units issued on special terms and conditions (if any), all assets that may be legally distributed among the EAIT Unitholders will be distributed to EAIT Unitholders in proportion to their unitholdings.

8.3.11. Liability of EAIT Unitholders

An EAIT Unitholder's liability is limited to the amount (if any) which remains unpaid for their Units.

8.3.12. Management fee

Everest is entitled to be paid a management fee.

The terms of the management fee in the Constitution are set out in the table in Section 5.2.1.

8.3.13. Payment of fees in cash or EAIT Units

Everest may receive some or all of its fees (and any GST on those fees) in cash or EAIT Units.

Everest may issue EAIT Units to itself on the basis of the Issue Price applicable at the next Value Time immediately following the date the fees become payable.

8.3.14. Powers of the Responsible Entity and delegation

The Responsible Entity of EAIT has all the powers in respect of EAIT that are possible to confer on a responsible entity under the law and as though it was the absolute owner of EAIT's assets. Without limiting this, the Responsible Entity's powers include (amongst other things) the power to borrow or obtain financial accommodation, invest in, dispose of or otherwise deal with EAIT's assets and liabilities.

The Responsible Entity may authorise any person to act as its agent or delegate to do anything within its power. The terms of appointment will be determined by the Responsible Entity in its sole discretion, except to the extent the Corporations Act governs these.

8.3.15. Change of the Responsible Entity

Everest may retire from its position as responsible entity in accordance with Part 5C.2, Division 2 of the Corporations Act by calling a general meeting to explain to EAIT Unitholders its reason for wanting to retire and to give EAIT Unitholders an opportunity to vote on a resolution to choose a company to be the new responsible entity. The resolution will be an extraordinary resolution.

Alternatively, the EAIT Unitholders may remove Everest from the position of responsible entity in accordance with Part 5C.2, Division 2 of the Corporations Act by calling a general meeting of EAIT Unitholders and voting by way of an extraordinary resolution that Everest should be removed and a resolution choosing a company to be the new responsible entity.

As an unlisted scheme, Everest and its associates are not entitled to vote on the retirement or removal resolution.

An extraordinary resolution is given its meaning in the Corporations Act and is, in effect, a resolution that has been passed by at least 50% of the total votes that may be cast by members entitled to vote on the resolution.

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8. ADDITIONAL INFORMATION

8.3.16. Alteration of the Constitution

In accordance with section 601GC of the Corporations Act and the Constitution, the Constitution can only be amended by:

- a special resolution of the EAIT Unitholders of EAIT; or
- Everest, if Everest reasonably considers the change will not adversely affect EAIT Unitholders' rights

8.4. Dispute resolution procedures

The Constitution contains provisions which govern the procedures for dealing with complaints by EAIT Unitholders.

If an EAIT Unitholder has a complaint in relation to EAIT, the EAIT Unitholder may telephone or write to Everest with details of the complaint and all relevant details of the EAIT Unitholder (including name and address).

If a EAIT Unitholder submits a complaint to Everest, Everest must properly consider the complaint as soon as practicable and tell the EAIT Unitholder within 45 days of the complaint being made of any determination made by Everest with respect to the complaint and alternative avenues they can pursue (such as external resolution).

Everest is a member of the Financial Ombudsman Service Limited (FOS). This is an independent resolution service. If an EAIT Unitholder is not satisfied with Everest's handling of a complaint, the EAIT Unitholder can contact FOS as set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
info@fos.org.au
Freecall—1300 780 808
Fax (03) 9613 6399

PRODUCT DISCLOSURE STATEMENT

8. ADDITIONAL INFORMATION

8.5. Interests of Directors

Each of the directors of Everest has indicated their intention to participate in the Exchange Offer.

Set out below are details of the direct and indirect interests of the Directors (and their associates) of Everest in EAIT after implementation of the Exchange Offer:

Director	EAIT Units immediately after the Exchange Offer
Jeremy Reid	3,046,000
Gary Kalmin	16,050
Aaron Budai	6,591

Note:

No options over Units have been granted to Directors

Set out below are details of the direct and indirect interests of the Directors (and their associates) of Everest in EBB (being the holding entity of Everest) as at the date of this PDS:

Director	Beneficial interest in EBB as at the date of PDS	EBB Shares as at the date of PDS
Jeremy Reid	211,350	44,984,215
Gary Kalmin	325,937	200,000
Aaron Budai	214,857	Nil

Note: this includes beneficial interests held by Directors in shares in EBB held within the EBB Employee Share Trust.

8.6. Material contracts

8.6.1. New EAIT Swap Leverage Facility

Everest proposes to enter into a total return equity swap (**EAIT Swap Leverage Facility**) that performs the same function in relation to the EAIT Investment Portfolio as the EBI Swap Leverage Facility performs in relation to the EBI Investment Portfolio.

The Exchange Offer is subject to the terms of the new EAIT Swap Leverage Facility and associated documents having been finalised to the satisfaction of each of Everest, the EBI Responsible Entity and the Leverage Facility Provider and executed by all of the parties to each such document prior to the Exchange Offer Implementation Date. If this does not occur by the Exchange Offer Implementation Date, the Exchange Offer will not proceed.

Based on the discussions with the Leverage Facility Provider to date, the key terms of the EAIT Swap Leverage Facility are expected to be as follows:

- The EAIT Swap Leverage Facility will provide a synthetic exposure to a leveraged portfolio primarily comprised of Absolute Return Funds as well as cash and foreign exchange positions ("**EAIT Swap**")

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Portfolio) which comply with guidelines agreed with the Leverage Facility Provider. The EAIT Swap Portfolio will initially be comprised of EAIT's Relevant Proportion of the EBI Swap Portfolio ("**Redeemed EBI Portfolio**"). The exact composition of this portfolio will be determined by agreement between the Leverage Facility Provider, Everest and the EBI Responsible Entity.

- The EAIT Swap Portfolio must initially be a minimum size of A\$100 million net of any leverage or as otherwise agreed with the Leverage Facility Provider.
- The value of the EAIT Swap Portfolio and leverage will be denominated in US dollars, however, the EAIT Swap Leverage Facility will be an Australian dollar facility.
- The Leverage Facility Provider will provide notional leverage to the EAIT Swap Leverage Facility in an amount equal to EAIT's Relevant Proportion of the notional leverage under the EBI Swap Leverage Facility on the Exchange Offer Implementation Date.
- The Leverage Facility Provider will undertake to pay Everest a return equal to what it would receive if it had invested in the specified EAIT Swap Portfolio taking into account the leverage provided.
- There will be an ability to increase or reduce the amount of leverage. Leverage will also notionally accrue and capitalise interest, which has the impact of increasing leverage over time. The leverage may only be increased for the purposes of satisfying any foreign exchange hedging settlement obligations, settling any fees payable to the Leverage Facility Provider under the EAIT Swap Leverage Facility or satisfying investor redemptions from EAIT, but in each case only to the extent that the notional cash in the EAIT Swap Portfolio would be insufficient for that purpose. However, during the Transition Period (defined below) leverage cannot be increased to satisfy investor redemptions from EAIT.
- The interest rate on any leverage will be the US dollar interest rate at which the Leverage Facility Provider is able to borrow that leverage for the relevant interest period plus a margin of 120 basis points.
- The interest period in respect of any portion of the leverage may be one month or one quarter or such other period as agreed between the Leverage Facility Provider and Everest.
- The EAIT Swap Portfolio is a notional portfolio that may be adjusted, if required, to reflect the position of an actual investor in the EAIT Swap Portfolio.
- Everest will be able to change the composition of the EAIT Swap Portfolio, with the consent of the Leverage Facility Provider.
- There will be an ability to increase or decrease the EAIT Swap Portfolio, for example, through additional contributions to the EAIT Swap Leverage Facility or provision of a reduction notice, each with the consent of the Leverage Facility Provider. There will not be an ability to increase the EAIT Swap Portfolio by requesting additional leverage.
- Each portion of leverage will be referred to as a 'Strike' and the total amount of such leverage will be the 'Aggregate Strike'. The maximum Aggregate Strike ("**Maximum Aggregate Strike**") permitted will be US\$50,000,000 multiplied by the Relevant Proportion.
- The ratio of the Aggregate Strike (plus any foreign exchange hedging losses) divided by the value of the EAIT Swap Portfolio (plus any foreign exchange hedging losses) less any discounts ("**SVR**") must not exceed 20% ("**Maximum SVR**"). The target SVR will be 15% ("**Target SVR**").
- The value of the EAIT Swap Leverage Facility at any particular time will be calculated as the value of the EAIT Swap Portfolio less the Aggregate Strike and will be defined as the "Intrinsic Value".
- The value of the EAIT Swap Portfolio will be determined by the Leverage Facility Provider who must use the value advised to it by the administrators of the underlying investments in the EAIT Swap Portfolio or, where available, other reliable independent third party administrators as agreed with Everest.
- There will not be any requirement to maintain a minimum notional cash balance in the EAIT Swap Portfolio (as will be the case for the EBI Swap Leverage Facility) provided that Everest is complying with the Investment Guidelines.

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- The EAIT Swap Leverage Facility will have a maturity date of 31 December 2010. However, on the last business day of each calendar quarter, any increase or decrease in the value of the EAIT Swap Portfolio will be crystallised and applied to the EAIT Swap Portfolio.
- Either party may terminate the EAIT Swap Leverage Facility early upon 6 months' written notice to the other party.
- At the termination date (being the maturity date, an early voluntary termination date, or an early termination date as a result of certain review events), Everest is entitled to payment of the Intrinsic Value but may elect for cash or physical settlement (subject to certain exceptions).
- There are various terms and conditions covering termination events, review events, market disruption events and events of default. Some of these terms are market standard and others are additional terms negotiated as part of the transaction.
- If the EAIT Swap Leverage Facility is terminated as a result of a termination event or event of default, the payment obligations of the parties will be determined under and in accordance with the terms of section 6 of the ISDA master agreement. These provisions will enable the calculation of the amount then outstanding under the EAIT Swap Leverage Facility and the close out amount payable between the parties. The close out amount is intended to compensate the non-defaulting party for its losses and costs incurred as a consequence of the early termination of the transactions. Conversely any gains that may accrue to the non-defaulting party are also accounted for. In determining the close out amount, the non-defaulting party is required to act in good faith and to use commercially reasonable procedures in order to produce a commercially reasonable result.
- Everest must pay a base fee to the Leverage Facility Provider monthly calculated at 0.50% per annum of the value of the EAIT Swap Portfolio, subject to a minimum fee of US\$8,000 per month.
- It is anticipated that initially the SVR will exceed the Maximum SVR and the Aggregate Strike will exceed the Maximum Aggregate Strike. The Leverage Facility Provider has agreed to waive these breaches until the earlier of the date of first compliance with the Maximum SVR and Maximum Aggregate Strike and 30 September 2009 ("**Transition Period**"). During the Transition Period, Everest must:
 - immediately request the Leverage Facility Provider to apply any notional cash in the EAIT Swap Portfolio to reduce the leverage;
 - immediately provide recommendations to change the composition of the EAIT Swap Portfolio to rebalance the SVR below the Target SVR as soon as reasonably practicable;
 - not without the consent of the Leverage Facility Provider request an increase in Aggregate Strike to satisfy investor redemptions from EAIT; and
 - not without the consent of the Leverage Facility Provider request a reduction in the EAIT Swap Portfolio.

If the final terms of the new EAIT Swap Leverage Facility are materially and adversely different from those outlined above, a supplementary PDS will be issued in accordance with the Corporations Act to provide updated information to EBI Unitholders.

Unitholders who choose not to accept the Exchange Offer should note that amendments are also being negotiated to the EBI Swap Leverage Facility. Details of the amendments proposed to the EBI Swap Leverage Facility are set out in Section 6 of the Supplementary Meeting Booklet accompanying this PDS.

The Exchange Offer is also subject to the amendments to the EBI Swap Leverage Facility and associated documents having been finalised to the satisfaction of each of Everest, the EBI Responsible Entity and the Leverage Facility Provider and executed by all of the parties to each such document prior to the Exchange Offer Implementation Date. If this does not occur by the Exchange Offer Implementation Date, the Exchange Offer will not proceed.

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8.6.2. New EAIT Account with Leverage Facility Provider

The Leverage Facility Provider has hedged its position by investing in the EBI Swap Portfolio (“**Actual Investments**”) and has appointed HSBC Institutional Trust Services (Asia) Limited as custodian and trustee (“**Macquarie Custodian**”) to hold the Actual Investments (“**Existing EBI Account**”). Those Actual Investments which relate to the EAIT Swap Portfolio and which the Leverage Facility Provider can, acting commercially and reasonably, transfer to a new sub-account (“**EAIT Account**”) will be so transferred. Those Actual Investments which relate to the EBI Swap Portfolio after the Exchange Offer Implementation Date and which the Leverage Facility Provider can, acting commercially and reasonably, transfer to a new sub-account (“**New EBI Account**”) will be so transferred. Any Actual Investments which remain in the Existing EBI Account after the above transfers are, or will be, the subject of an irrevocable redemption request. Any redemption proceeds received in connection with such Actual Investments will be directed pro rata to the EAIT Account and New EBI Account. This means that the Relevant Proportion of any such proceeds will be directed to the EAIT Account. It is expected that a significant proportion of the existing Actual Investments will remain in the Existing EBI Account. Any Actual Investments in respect of the EAIT Swap Portfolio acquired by the Leverage Facility Provider after the Exchange Offer Implementation Date will be held in the EAIT Account.

The obligations of the Leverage Facility Provider to Everest under the EAIT Swap Leverage Facility will be supported by security over the EAIT Account and shared security over the Existing EBI Account (see Section 8.6.4). The obligations of the Leverage Facility Provider to the EBI Responsible Entity under the EBI Swap Leverage Facility will be supported by security over the New EBI Account and shared security over the Existing EBI Account. Everest and the EBI Responsible Entity will appoint a security trustee to hold the shared security over the Existing EBI Account for the benefit of Everest and the EBI Responsible Entity in their Relevant Proportions.

8.6.3. Macquarie Custody Agreement

Macquarie Bank has the Macquarie Custodian to act as custodian and trustee in respect of those assets held by Macquarie Bank in connection with the EBI Swap Leverage Facility (“**Macquarie EBI Custody Agreement**”).

Macquarie Bank will appoint the Macquarie Custodian to act as custodian and trustee in respect of those assets held in the EAIT Account (“**Macquarie EAIT Custody Agreement**”).

It is intended that the terms of the Macquarie EAIT Custody Agreement will be substantially the same as the Macquarie EBI Custody Agreement. The terms of the Macquarie EBI Custody Agreement are, in summary:

- As custodian, the Macquarie Custodian is required to, among other things:
 - (a) register all investments in its name, unless it is instructed to the contrary;
 - (b) transfer investments in accordance with any instructions received from Macquarie Bank; and
 - (c) maintain registers and records of the cash and investments.

The Macquarie Custodian must act in accordance with the written instructions of Macquarie Bank (and as provided in this agreement) and must not exercise any rights in respect of the investments (including, but not limited to, any voting rights) other than pursuant to such written instructions.

- The Macquarie Custodian has the benefit of indemnities from Macquarie Bank against all liabilities incurred by the Macquarie Custodian in performing its obligations under this agreement, other than any liabilities resulting from the fraud, gross negligence or wilful default of the Macquarie Custodian, for which it will be personally liable.

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- The agreement can be terminated by any party by giving 90 days' written notice. In addition this agreement can be terminated by a non-defaulting party immediately if:
 - (a) any other party has broken or is in material breach of any of the terms of the agreement and has not remedied such breach within 30 days of receiving notice by the non-defaulting party requiring the breach to be remedied;
 - (b) in the case of Macquarie Bank only, the Macquarie Custodian has been negligent or committed a wilful default in carrying out its duties under this agreement, as determined by a Hong Kong court; or
 - (c) any other party goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation on terms previously approved by the other parties) or a receiver is appointed over all or any part of the assets of any other party.
- The agreement is governed by the laws of Hong Kong.

If the final terms of the new Macquarie EAIT Custody Agreement are materially and adversely different from those outlined above, a supplementary PDS will be issued in accordance with the Corporations Act to provide updated information to EBI Unitholders.

8.6.4. Security

The Leverage Facility Provider may hedge its position by investing in the EAIT Swap Portfolio. The obligations of the Leverage Facility Provider to Everest under the EAIT Swap Leverage Facility will be supported by security over those investments in the EAIT Swap Portfolio purchased on behalf of the Leverage Facility Provider to hedge its position under the EAIT Swap Leverage Facility (as well as any unutilised cash) held in the EAIT Account and the Existing EBI Account, as well as certain other contractual rights in connection with the custody arrangements ("**Charges**"). Everest and the EBI Responsible Entity will appoint a security trustee to hold the Charge over the Existing EBI Account for the benefit of Everest and the EBI Responsible Entity in their Relevant Proportions.

The Charges will be granted by each of Macquarie Bank and the Macquarie Custodian (each a "**Chargor**") in favour of Everest and the Australian Custodian acting for EAIT (each a "**Chargee**"). The terms of the security have not yet been agreed but are expected to include, in summary:

- The Charges will be floating charges (rather than fixed charges).
- The Charges will restrict how the Chargors may deal with the charged property. Unless Everest consents, the Chargors must not:
 - (a) create or allow to exist any other security interests over any charged property; or
 - (b) dispose of any of the charged property other than in certain circumstances, including to the extent necessary to permit a disposal or payment in accordance with the express terms of the EAIT Swap Leverage Facility.
- The Charges will only be enforceable if an insolvency event occurs in respect of a Chargor.
- The Charge granted by Macquarie Bank will be governed by the laws of New South Wales, and the Charge granted by the Macquarie Custodian will be governed by the laws of Hong Kong.

If the final terms of the new Charges are materially and adversely different from those outlined above, a supplementary PDS will be issued in accordance with the Corporations Act to provide updated information to EBI Unitholders.

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8. ADDITIONAL INFORMATION

8.7. Consents

Written consents to the issue of this PDS have been given and, at the time of lodgement of this PDS with ASIC, had not been withdrawn by the following parties:

- Chang, Pistilli & Simmons has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS in the form and context so named
- ECIML in its personal capacity and as responsible entity for EBI has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named (and for EBI to be named) in this PDS in the form and context so named
- Ernst & Young has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS as auditor in the form and context named
- Link Market Services Limited has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS in the form and context in which it is so named

No entity or person referred to above has made any statement that is included in this PDS or any statement on which a statement made in this PDS is based. Each of the entities and persons referred to above expressly disclaims and takes no responsibility for any statements in or omissions from this PDS. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given above.

8.8. Litigation and claims

As far as Everest is aware, except as disclosed below, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature in which Everest in that capacity are directly or indirectly concerned which is likely to have a material adverse impact on EAIT:

- on 2 December 2008, the EBI Responsible Entity received a letter from a major EBI Unitholder asserting (amongst others) that the purported adjournment of the general meeting held on 21 November 2008, that was requisitioned by Laxey Partners Limited ("**Laxey**") was ineffective. The EBI Responsible Entity has rejected the assertion.
- civil litigation commenced by Laxey against the EBI Responsible Entity in relation to (amongst others) the adjournment of the general meeting held on 21 November 2008 that requisitioned by Laxey settled on 12 December 2008. The settlement was announced on EBI's ASX platform on 12 December 2008.

8.9. Continuous Disclosure

As at the date of this PDS, EAIT is not currently a disclosing entity under the Corporations Act. If this changes, EAIT will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to EAIT may be obtained from, or inspected at, any ASIC office.

If and when EAIT becomes a disclosing entity, you may obtain a copy of:

- The annual financial report (including financial statements) most recently lodged with ASIC by Everest in respect of EAIT
- Any half-year financial report (including financial statements) lodged with ASIC in respect of EAIT after the lodgement of the above mentioned annual financial report and before the date of this PDS; and
- Any continuous disclosure notices provided by Everest in respect of EAIT after the lodgement of the above mentioned annual financial report and before the date of this PDS.

If requested, Everest will send you a printed or electronic copy of the above documents, free of charge, as soon as possible, or within 10 Business Days of receiving your request.

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8. ADDITIONAL INFORMATION

8.10. Expiry Date

EAIT Units will not be issued to EBI Unitholders in connection with the Exchange Offer after the Exchange Offer Implementation Date.

8.11. Governing law

This PDS and the contracts that arise from the acceptance of the Exchange Offer Acceptance Form are governed by the law applicable in New South Wales and each EBI Unitholder who submits an Exchange Offer Acceptance Form in accordance with the Exchange Offer, submits to the exclusive jurisdiction of the courts of New South Wales.

8.12. Name and contact details of issuer of EAIT Units

The issuer of the EAIT Units under this PDS is Everest Capital Limited (ACN 092 753 252 and AFSL 225102). Everest may be contacted by writing to:

The Company Secretary
Everest Financial Group
Level 35 AMP Centre
SYDNEY NSW 2000

or by telephoning +61 2 8001-9100.

8.13. Responsibility for the Product Disclose Document

Everest takes full responsibility for the whole PDS.

8.14. Dates

All dates referred to in this PDS are indicative only and may be subject to change.

PRODUCT DISCLOSURE STATEMENT

8. ADDITIONAL INFORMATION

8.15. Statement of Directors

This PDS is authorised by each Director of Everest and each Director consents to its lodgement with ASIC and its issue.

This PDS is signed by each Director of Everest.



Aaron Budai



Gary Kalmin



Jeremy Reid

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9. GLOSSARY

31 December 2009 Withdrawal Offer	Has the meaning given in Section 2.3.1
Absolute Return Funds	Means funds of the type described in Section 3.2
AFSL	Australian Financial Services Licence
Arrangers	The institution that has structured and/or introduced a Direct Investment and, where the context permits, the lead investors of a Direct Investment or transaction
Asset Based Lending	Has the meaning given to it in Section 3.3
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691 or the stock market conducted by ASX Limited, as the context requires
A\$	Australian dollars
AUM	Unaudited assets under management including uncalled capital commitments
Australian Custodian	Australia and New Zealand Banking Group Limited ABN 11 005 357 522 as custodian for EAIT
Babcock & Brown	Babcock & Brown Limited ACN108 614 955
Board	The board of Directors of Everest
Business Day	A day other than a Saturday or a Sunday on which banks are open for general banking business in Sydney.
Chargee	Has the meaning given in Section 8.6.4
Charges	Has the meaning given in Section 8.6.4
Chargor	Has the meaning given in Section 8.6.4
Constitution	Constitution of EAIT
Corporations Act	Corporations Act 2001 (Cth)
Direct Investments	Subordinated Debt Investments and Equity Co-Investments
Direct Investment Portfolio	In respect of EBI or EAIT, that part of its Investment Portfolio that is invested in Direct Investments
Directors	The directors of Everest as disclosed in this PDS
Distressed Securities	Has the meaning given to it in Section 3.3
Distribution	Any distributions paid by EAIT
EAIT	Everest Alternative Investment Trust ARSN 134 483 319
EAIT Account	Has the meaning given in Section 8.6.2
EAIT Initial Investment Portfolio	The proposed EAIT Investment Portfolio immediately following the Exchange Offer Implementation Date

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EAIT Investment Portfolio	EAIT's portfolio of investments, including the exposure to Absolute Return Funds under the EAIT Swap Leverage Facility, Subordinated Debt Investments and Equity Co-Investments.
EAIT Record Date	The date for determining the eligibility of EAIT Unitholders to participate in the 31 December 2009 Withdrawal Offer or Semi-Annual Withdrawal Offer, as the context requires
EAIT Swap Leverage Facility	The total return swap to be entered into between the Leverage Facility Provider and Everest that will provide a synthetic exposure to a portfolio primarily comprised of Absolute Return Funds as well as cash and foreign exchange positions to be managed by Everest (the proposed terms of which are set out in Section 8.6.1)
EAIT Swap Portfolio	The leveraged portfolio of investments the subject of the EAIT Swap Leverage Facility, as described in Section 8.6.1
EAIT Unit	A unit in EAIT, and includes a new EAIT Unit issued under the Exchange Offer
EAIT Unitholder	A person registered as the holder of an EAIT Unit (including persons jointly registered)
EBB	Everest Babcock & Brown Limited ABN 42 112 480 145
EBB Employee Share Trust	A trust established for the sole purpose of subscribing for or acquiring, delivering, allocating and holding shares in EBB on trust for and on behalf of employees of EBB. The trustee is Pacific Custodians Pty Limited ABN 66 009 682 866.
EBI	Everest Babcock & Brown Alternative Investment Trust ARSN 112 129 218
EBI Investment Portfolio	EBI's portfolio of investments, including the exposure to Absolute Return Funds, Subordinated Debt Investments and Equity Co-Investments
EBI Responsible Entity	Everest Capital Investment Management Limited ABN 96 112 731 978 as responsible entity of EBI
EBI Swap Leverage Facility	The total return swap between the Leverage Facility Provider and the EBI Responsible Entity that provides a synthetic exposure to a portfolio primarily comprised of Absolute Return Funds as well as cash and foreign exchange positions currently managed by Everest
EBI Swap Portfolio	The leveraged portfolio of investments the subject of the EBI Swap Leverage Facility
EBI Unit	A unit in EBI
EBI Unitholder	A person registered as the holder of an EBI Unit (including persons jointly registered)
ECIML	Everest Capital Investment Management Limited ABN 96 112 731 978
Eligible EBI Unitholder	Unitholders of EBI on the register on the Exchange Offer Record Date with a registered address in Australia

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Eligible EAIT Unitholder	Means an EAIT Unitholder whose details appear on the Register as at the EAIT Record Date and who Everest determines in its sole discretion to be eligible to participate in a Withdrawal Offer.
Equity Co-Investments	Investments of the type described in Section 3.7
Event Driven	Has the meaning given to it in Section 3.3
Everest	Everest Capital Limited ACN 092 753 252 and AFSL 225102 in its capacity as responsible entity or manager of EAIT (as the context requires and unless otherwise stated).
Everest Group	Everest Babcock & Brown Limited ABN 42 112 480 145 and any of its related bodies corporate
Exchange Offer	The issue of 1 new EAIT Unit in exchange for every 1 existing EBI Unit held by an Eligible EBI Unitholder on the Exchange Offer Record Date in accordance with the terms of the Exchange Offer Booklet
Exchange Offer Acceptance Form	The form so-entitled in relation to the Exchange Offer
Exchange Offer Booklet	The document so-entitled in relation to the Exchange Offer, dated on or about the date of this PDS
Exchange Offer Implementation Date	The date the Exchange Offer is implemented by the cancellation of EBI Units and the issue of new EAIT Units, proposed to be 28 January 2009
Exchange Offer Record Date	23 January 2009, unless otherwise advised
Existing EBI Account	Has the meaning given in Section 8.6.2
Exit Fee	Has the meaning given in Section 5.2.1
FICS	Financial Industry Complaints Service
Global Macro	Has the meaning given to it in Section 3.3
GST	Has the same meaning given to the term 'GST' in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
Investment Committee	The Investment Committee consist of, Gary Kalmin, Steve McKenna, John Peterson, William Peterson and Jeremy Reid
Investment Guidelines	In relation to the guidelines adopted by Everest or the EBI Responsible Entity (as applicable), as described in Section 3.1, and in relation to the EAIT Swap Leverage Facility or the EBI Swap Leverage Facility (as applicable), the guidelines agreed with the Leverage Facility Provider under the applicable facility
Investment Manager	A manager of an Absolute Return Fund
Leverage Facility Provider	in relation to the EBI Swap Leverage Facility, Macquarie Bank or any other counterparty which replaces Macquarie Bank under the EBI Swap Leverage Facility and, in relation to the EAIT Swap Leverage Facility, Macquarie Bank or any other counterparty which replaces Macquarie Bank under the EAIT Swap Leverage Facility
Listing Rules	Listing rules of the ASX, as amended and varied from time to time

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Long Side	Buying a security with an expectation it will increase in value
Long/Short Equity	Has the meaning given in Section 3.3
Macquarie Bank	Macquarie Bank Limited ABN 46 008 583 542 or a related entity of it acting as its custodian and bare trustee
Macquarie Custodian	Has the meaning given in Section 8.6.2
Macquarie EAIT Custody Agreement	Has the meaning given in Section 8.6.3
Macquarie EBI Custody Agreement	Has the meaning given in Section 8.6.3
Managed Futures	Has the meaning given in Section 3.3
Maximum Aggregate Strike	Has the meaning given in section 8.6.1
Maximum SVR	Has the meaning given in Section 8.6.1
Multi Strategy	Has the meaning given in Section 3.3
Net Asset Value, Net Tangible Assets or NTA	The net asset value of EAIT, being total assets less total liabilities (other than net assets attributable to EAIT Unitholders)
Privacy Act	Privacy Act 1988 (Cth)
Product Disclosure Statement or PDS	This product disclosure statement document dated 23 December 2008 and any supplementary or replacement product disclosure statement in relation to this product disclosure statement
Redeemed EBI Portfolio	Has the meaning given in Section 8.6.1
Redemption	Has the meaning given in Section 2.5.1
Registry	Link Market Services Limited ABN 54 083 214 537
Regulations	Corporations Regulations 2001 (Cth)
Relevant Proportion	In relation to EAIT, the proportion of the EBI Units which participate in the Exchange Offer to the total number of EBI Units on the Exchange Offer Record Date and, in relation to EBI, the proportion of the EBI Units which do not participate in the Exchange Offer to the total number of EBI Units on the Exchange Offer Record Date.
Responsible Entity	Everest in its capacity as responsible entity of EAIT
Securities Act	US Securities Act of 1933
Semi-Annual Withdrawal Offer	Has the meaning given in Section 2.3.2
Short Side	Selling a borrowed security with the expectation that it will decrease in value
Subordinated Debt	The asset class described in Section 3.6.1
Subordinated Debt Investments	Investments of the type described in Section 3.6
SVR	Has the meaning given in Section 8.6.1

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Target SVR	Has the meaning given in Section 8.6.1
Transaction Costs	(a) When calculating the Issue Price, Everest's estimate of the total cost of acquiring the EAIT Units on issue; and (b) When calculating the Exit Price, Everest's estimate of the total cost of selling or otherwise disposing of the EAIT Units on issue, but Everest may (for a particular application or request for redemption or class of EAIT Units or generally) deem these to be less
Transition Period	Has the meaning given in Section 8.6.1
US	United States of America
US\$	United States of America dollars
Value time	Means a time at which Everest calculates the Net Asset Value
Withdrawal Offer	An offer made by Everest to redeem EAIT Units in accordance with Part 5C.6 of the Corporations Act and the Constitution.

PRODUCT DISCLOSURE STATEMENT

CORPORATE DIRECTORY

Registered and head office

Everest Alternative Investment Trust
Level 35, AMP Centre
50 Bridge Street
Sydney NSW 2000

Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Directors

Jeremy Reid (Chairman)
Gary Kalmin
Aaron Budai

Company Secretary

Gary Kalmin

Legal advisors

Chang Pistilli & Simmons
Level 13
95 Pitt Street
Sydney NSW 2000

Auditors

Ernst & Young
680 George Street
Sydney NSW 2000

Exchange Offer Info Line: 1800 882 147 or +61 2 8280 7924

Monday to Friday 8.30am to 5.30pm (Sydney time)

