

NEWS RELEASE

26 Cents per Unit Cash offer to PFMF Unitholders remains after Unitholders did not pass Restructuring Resolution

Brisbane, 2 September 2010: Unitholders in the Pacific First Mortgage Fund (Fund) yesterday voted against Resolution One at the meeting of unitholders of the Fund (Unitholders). The resolution was designed to facilitate Balmain Trilogy's proposed "New Strategy" for the Fund.

Unitholders' approval of this resolution is one of the conditions (Approval Condition) of the 26 cent per unit cash offer (Offer) announced by Morgan Stanley Special Situations Fund III (MS SSFIII) last week through its subsidiary Project Junior Pte Ltd (PJPL).

MS SSFIII has not yet decided whether to waive the Approval Condition. If the Approval Condition is not waived then the Offer will lapse with an unfulfilled condition on closing and all contracts and acceptances will be void. The Offer is currently scheduled to close on September 30, 2010.

In the meantime MS SSFIII will assess its options in relation to the Offer and will seek Balmain Trilogy's views on the future strategy of the Fund. Until such time as these options are properly considered, PJPL is neither waiving the Approval Condition nor withdrawing the Offer, and will continue to reserve its rights until the Offer closing.

PJPL encourages accepting Unitholders to continue to send through acceptance forms to Computershare Fund Services as detailed in the Offer booklet, and undertakes to make payment for any units tendered into the Offer (subject to any pro-rata reduction due to acceptances in excess of the offer cap as described in the Offer booklet) within (i) ten business days after the Offer is accepted, if all bid conditions as disclosed in the Offer booklet have been satisfied or waived (including waiver of the Approval Condition) when accepted, or (ii) ten business days after the satisfaction or waiver of all bid conditions as disclosed in the Offer booklet (including waiver of the Approval Condition), if the Offer is subject to a bid condition when accepted.

Unitholders can call a dedicated PJPL Offer hotline on:

- 1800 707 861 (toll free for callers within Australia); or on
- +61 2 8256 3387 (for callers outside Australia)

About Morgan Stanley Special Situations Fund III

MS SSF III is the third in a series of real estate funds sponsored by Morgan Stanley, which generally seeks to make non-controlling investments in securities of private and public real estate related companies and portfolios of real estate and real estate related assets. MS SSF III is a limited partnership established in Delaware, USA. MS SSF III is managed by Morgan Stanley Real Estate Special Situations III-GP, LLC, a related entity of Morgan Stanley, which serves as MS SSF III's general partner. The investors in MS SSF III are a broad range of institutional and private investors.

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