

Regulatory Guide 45 Product Disclosure under ASIC

The following table provides an update on the benchmarks set by the Australian Securities and Investments Commission in the Regulatory Guide 45: Mortgage Schemes – improving disclosure for retail investors and explains to what extent Balmain Trilogy Investment Management Pty Limited (“Balmain Trilogy”) as Investment Manager and Trilogy Funds Management Limited (“Trilogy”) as Responsible Entity of the Pacific First Mortgage Fund (the “Fund”) satisfies them.

This disclosure is correct at 31 March 2010.

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 1 — Liquidity	Satisfied	
<p>RG 45.38</p> <p>a) The Responsible Entity should have cash flow estimates for the Fund for the next 3 months.</p> <p>b) The Responsible Entity should ensure that at all times the Fund has cash or cash equivalents sufficient to meet its projected cash needs over the next 3 months.</p> <p>c) The Responsible Entity should not take undrawn credit facilities into account when calculating cash flow estimates.</p>		<p>RG 45.38</p> <p>The Fund is currently operating as an illiquid managed investment scheme.</p> <p>The proportion of cash or cash equivalents currently in the fund is low. As at 31 March 2010, the Fund held \$50,137,572 in cash which represents 10.02% of total Fund assets.</p> <p>Balmain Trilogy, the Investment Manager appointed to manage the assets of the Fund, has cash flow estimates for the Fund for the next 3 months and forecasts that it has cash or cash equivalents sufficient to meet the Fund's projected cash needs over the next 3 months. These projected cash needs include operating expenses of the Fund, but do not include cash for distributions to Unitholders or redemption to Unitholders.</p>
<p>RG 45.39</p> <p>The Responsible Entity should disclose its policy on balancing the maturity of assets and maturity of liabilities</p>		<p>RG 45.39</p> <p>Balmain Trilogy closely monitors the maturity of the portfolio assets and liabilities.</p>

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 2 — Fund Borrowing	Satisfied	
<p>RG 45.47</p> <p>If the Responsible Entity has borrowed funds it should disclose;</p> <ol style="list-style-type: none"> For each borrowing that will mature in 5yrs or less, the amount owing and the maturity profile in increments of not more than 12 months For borrowings that mature in more than 5 years, the aggregate amount owing For each credit facility, the aggregate undrawn amount and the maturity profile in increments of no more than 12 months The fact that amounts owing to lenders and other creditors of the Fund rank before an investors interests in the Fund The purpose for which the funds have been borrowed, including whether they will be used to fund distributions or withdrawal amounts <p>RG45.48</p> <p>If borrowings and credit facilities are due to mature within 12 months, the Responsible Entity should make appropriate disclosure about the prospects of refinancing or possible alternative actions. If the Responsible Entity has no reasonable grounds for commenting on the prospect of refinancing or possible alternative returns, they should state this and explain why to investors.</p> <p>RG 45.49</p> <p>The Responsible Entity should explain any risks associated with borrowing and credit facility maturity profile, including whether borrowings have been hedged and if so, to what extent.</p> <p>RG 45.50</p> <p>The Responsible Entity should also disclose any information about breaches of loan covenants that is reasonably required by investors and update investors about the status of any breaches through ongoing disclosure.</p>		<p>RG 45.47 - 50</p> <p>The Fund's finance facility with Commonwealth Bank of Australia (CBA) was restated and amended on 23 December 2009. The key terms of the amended facility are as follows:</p> <ul style="list-style-type: none"> The facility is extended to 30 June 2010; Upon disposal of assets of the Fund; <ul style="list-style-type: none"> 100% of the net proceeds received by the Fund at settlement from the sale of the Pacific Bach development must be repaid to CBA; 75% of the net proceeds from assets realised on or after 1 January 2010 must be repaid to the CBA while the balance of the facility is greater than \$30 million; The balance of the facility is required to be reduced to \$30 million by 30 June 2010; and The facility is annually renewable provided that CBA remains comfortable with performance of the Fund. <p>At the time of Trilogly's appointment as Responsible Entity in July 2009, the outstanding balance was at \$91.8 mill. Following a series of repayments (all interest cost were also paid) the debt has been reduced by \$52.0 m to the current balance of \$39.8m as at 9 April 2010. We remain on track to reduce the loan to \$30.0m by the end of June as required under the facility agreement.</p> <p>As previously advised in the RG 45 disclosures dated 30 November 2009 the former Responsible Entity (City Pacific Limited) entered into the original finance agreement to meet cash flow requirements, including to pay expenses for the Fund and to continue pay existing progress draws to the Fund's borrowers. The facility is fully drawn in respect of the finance facility.</p> <p>As indicated above the finance facility is annually renewable provided that the CBA remains comfortable with the performance of the Fund. We are confident that we will meet the required amortisation program as set in the Facility Agreement by the 30 June 2010. In the event CBA require further repayment of the facility at 30 June 2010 our cashflow forecasts of loan recoveries will enable us to further amortise the facility.</p> <p>Whilst in the current climate no guarantees can be made, in the event CBA were to require it, we expect we would be able to refinance or repay the facility.</p> <p>We also note that there are no borrowings that mature in more than 5 years.</p> <p>Amounts owing to CBA rank before an investor's interests in the fund.</p>

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 3 — Portfolio Diversification	Satisfied	
<p>RG 45.53</p> <p>The Responsible Entity should disclose the current nature of the Fund's investment portfolio, including the following:</p> <ul style="list-style-type: none"> a) By number and value, loans by class of activity (industry sector) b) By number and value, loans by geographic region c) By number and value, what proportion of loans are in default or arrears d) By number and value of loans, what is the nature of the security for loans made by the Fund (e.g. first or second ranking) e) What proportion of the total loan monies have been lent to the largest borrower and the largest 10 borrowers f) By number and value, loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any undrawn loan commitments g) By number and value, the maturity profile of all loans in increments of not more than 12 months h) By number and value of loans, LVR for loans in percentage ranges i) By number and value of loans, interest rates on loans, in percentage ranges j) By number and value, loans where interest has been capitalised k) The use of derivatives (if any) l) A description of the non-loan assets of the Fund, include the value of these assets 		<p>RG45.53</p> <p>Portfolio information required under RG 45.53 a) – i) is detailed in Annexure A.</p> <ul style="list-style-type: none"> k) Derivatives are not used in the Fund. l) The only non-loan asset of the Fund is cash. Cash is held with the Commonwealth Bank of Australia. The cash balance of the accounts as at 31 March 2010 represents 10% of the assets of the Fund.

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
<p>RG 45.54</p> <p>Disclose the policy on the above items and on how the Fund will lend funds generally including;</p> <ul style="list-style-type: none"> a) The maximum loan amount for any one borrower b) The method of assessing borrowers' capacity to service loans c) Policy on revaluing security properties when a loan is rolled over d) Approach to taking security on lending by Fund (eg security type, if it must be income producing) 		<p>RG 45.54</p> <p>Balmain Trilogy adheres to specific lending principles that are governed by an internal Credit Policy which are in line with the Product Disclosure Statement ('PDS') for the Fund (the PDS for the Fund was withdrawn on 6 March 2008). The profile of the Fund's portfolio (as detailed in Annexure A) is dominated by non performing loans which are in significant arrears. It has resulted in several policy guidelines being breached in terms of Loan to Valuation ratios and individual exposure limits. Balmain Trilogy is actively managing the portfolio to ensure the risks associated with these exposures are mitigated.</p> <p>The Fund's Credit Policy provides, amongst other things, that:</p> <ul style="list-style-type: none"> (a) the maximum loan to any one borrower is 20% of the total assets of the Fund; (b) a borrower's capacity to service loans must be assessed through the servicing capability of the borrower and the feasibility of the project; (c) security properties will be revalued prior to each loan roll-over in accordance with the valuation requirements as detailed in the valuation policy. Further details regarding the valuation policy has been detailed in Benchmark 5; and (d) At the present time, of the total of 43 loans provided by the Fund, 35 have a first ranking mortgage, 7 have a second ranking mortgage and 1 has both a first and second ranking mortgage over real estate situated within specified states and territories in Australia. Additional types of security may be taken including company charges and personal guarantees to support the primary security. It is not a requirement of the Fund that the security property be income producing. Please refer to Annexure A for further details regarding the mortgages held by the Fund.
<p>RG 45.55</p> <p>If the Fund invests in other unlisted mortgage schemes, the Responsible Entity should disclose their policy on investing in those schemes, including the extent to which the Responsible Entity requires the other scheme to satisfy these benchmarks.</p>		<p>RG 45.55</p> <p>The Fund does not invest in any unlisted mortgage schemes.</p>

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 4 – Related Party Transactions	Satisfied	
<p>RG 45.61</p> <p>Where the Responsible Entity transacts with related parties of the Fund (including lending or investing the Fund funds with related parties) it should disclose its approach to these transactions, including</p> <ul style="list-style-type: none"> a) Details of loans, investments and transactions made to or with a related party b) Its policy on related party transactions including the assessment and approval process for related party lending and arrangements to manage conflicts of interest c) How the processes and arrangements are monitored to ensure its policy is followed 		<p>RG 45.61</p> <ul style="list-style-type: none"> a) As at 31 March 2010 the Fund does not provide any loans to any related parties of the Investment Manager or Responsible Entity. b) Trilogy has a policy of not making a Mortgage Investment on behalf of the Fund in any other fund, whether or not it is an entity associated with Trilogy. Directors and staff may invest in the Fund on the same terms and conditions as other investors. c) There is no related party lending or borrowing in relation to the Fund. Trilogy's Compliance Plan for the Fund outlines the controls in place around related party transactions. The Compliance Plan is audited externally on an annual basis and monitored by the Responsible Entity's Compliance Committee on a quarterly basis.

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
<p>Benchmark 5 – Valuation Policy</p> <p>RG 45.64</p> <p>The Responsible Entity should take the following approach to valuations of properties over which it has taken security</p> <ul style="list-style-type: none"> a) Properties should be valued on an ‘as is’ basis (and on an ‘if complete’ basis for development properties) b) The Responsible Entity should have a policy on how often it obtains valuations, including how recent a valuation has to be when it makes a new loan c) The Responsible Entity should establish a panel of valuers and ensure that no one valuer conducts more than 1/3 of our valuation work for the Fund, calculated by value of properties 	<p>Satisfied</p>	<p>RG 45.64</p> <ul style="list-style-type: none"> a) Where a loan is for development or construction purposes, the valuer assesses the property on both an ‘as is’ and an ‘as if complete’ basis. All other property loans are valued on an ‘as is’ basis. b) Balmain Trilogy’s valuation policy is as follows; <ul style="list-style-type: none"> i) All external valuations must be performed by panel valuers who must undergo an accreditation process prior to formal inclusion on the panel. ii) It is preferred that Balmain Trilogy instruct the valuer, however if not, the valuation must be addressed or assigned to Balmain Trilogy for mortgage purposes under standard instructions. Balmain Trilogy will provide its standard instructions to the valuer that the valuation should be addressed or assigned to Trilogy Funds Management Limited or the Custodian. iii) The panel valuer must be independent of the borrower and Balmain Trilogy. iv) The valuer must be instructed to prepare the valuation report in a format which clearly sets out the primary methodology used and, if so requested, a secondary check valuation methodology, and in accordance with the instructions. v) The report must comment as to whether the mortgaged property represents satisfactory security for mortgage purposes as appropriate. vi) All valuations must be addressed to Trilogy Funds Management Limited or the Custodian and be able to be relied upon by Balmain Trilogy. vii) All valuations must be not more than 3 months old as at the date of approval of the loan. viii) Valuations for construction projects should state a replacement value in the valuation for the purpose of Balmain Trilogy determining the amount of insurance required. ix) Valuations are conducted prior to the settlement of a new loan facility, on renewal of a loan facility, if the lender believes there has been Loan to Value covenant breach, if the mortgagee is taking possession of the subject security or at such times as considered appropriate by the Manager or the Investment Manager. c) Balmain Trilogy maintains a panel of valuers and ensures that no one valuer conducts more than one-third of the valuation work. A ‘Valuation Register’ is maintained to monitor the valuations conducted. The panel of valuers is reviewed annually.

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE												
<p>RG 45.65</p> <p>Disclose information about the valuation of a particular property where a loan secured against the property accounts for 5% or more of the total value of the Fund's loan book.</p>		<p>RG 45.65</p> <p>The following 5 loans account for more than 5% of total value of the Fund's book on an impaired basis;</p> <table border="1"> <thead> <tr> <th>Impaired Value</th> <th>% of Impaired Book Value</th> </tr> </thead> <tbody> <tr> <td>\$24,540,505</td> <td>5.45%</td> </tr> <tr> <td>\$25,350,450</td> <td>5.63%</td> </tr> <tr> <td>\$27,183,070</td> <td>6.04%</td> </tr> <tr> <td>\$52,368,664</td> <td>11.63%</td> </tr> <tr> <td>\$74,396,747</td> <td>16.53%</td> </tr> </tbody> </table> <p>Please refer to Part E of Annexure A for further details regarding Loan to Valuation Ratios.</p>	Impaired Value	% of Impaired Book Value	\$24,540,505	5.45%	\$25,350,450	5.63%	\$27,183,070	6.04%	\$52,368,664	11.63%	\$74,396,747	16.53%
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<p>RG 45.66</p> <p>The Responsible Entity should only use valuers who:</p> <ol style="list-style-type: none"> Where possible, are registered under one of the state/territory valuer registration regimes or a relevant overseas registration regime Include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes. 		<p>RG 45.66</p> <p>Valuers who are appointed by Balmain Trilogy:</p> <ol style="list-style-type: none"> Are registered under one of the state/territory valuer registration regimes; and Include a statement in their valuation reports as to whether the valuation complies with all relevant industry standards and codes. 												
<p>Benchmark 6 – Lending Principles – Loan to Valuation Ratios</p>	Not satisfied													
<p>RG 45.70</p> <p>The Responsible Entity should maintain the following loan to valuation ratios for loans made by the Fund.</p> <ol style="list-style-type: none"> Where the loan relates to development property – 70% on the basis of the latest 'if complete' valuation All other cases – 80% on the basis of the last market valuation 		<p>RG 45.70</p> <p>The Fund does not meet this benchmark as most of the loans are in default and the LVR exceeds 70%. If lending resumes in future, standard lending principles will apply.</p>												
<p>RG 45.71</p> <p>Where the loan relates to property development, the Responsible Entity should ensure that the Fund only provides funds to the developer in stages, based on external evidence of the progress of the development</p>		<p>RG 45.71</p> <p>Development loans relate to where a borrower utilises the loan monies to construct buildings (e.g. units, houses, commercial or retail property) or to undertake land development. On the sale of a unit, house, commercial or retail building, or part of the land, all or part of the proceeds are utilised to reduce the borrower's debt.</p> <p>Development loans involve close supervision by Balmain Trilogy. To this end, Balmain Trilogy will appoint an external quantity surveyor, engineer, project manager or valuer to advise and monitor as to:</p> <ol style="list-style-type: none"> the amount of all draw downs by a borrower and all payments which are to be made to contractors in stages based on the progress of development; and the costs to complete the project. 												

ASIC BENCHMARK	BENCHMARK SATISFIED	DISCLOSURE
Benchmark 7 – Distribution Practices	Satisfied	
<p>RG 45.75</p> <p>If the Fund is making (or forecasts making) distributions to unitholders, the Responsible Entity should disclose:</p> <ul style="list-style-type: none"> a) The source of the current distribution b) The source of any forecast distribution c) If the current or forecast distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions, d) If the current distribution or forecast distribution is sourced other than from income, whether this is sustainable over the next 12 months 		<p>RG 45.75</p> <p>At present , no distributions are being paid</p>
<p>RG 45.76</p> <p>If the Fund promotes a particular return on investments, the Responsible Entity should clearly disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return will be determined.</p>		<p>RG 45.76</p> <p>At present , no distributions are being paid</p>
Benchmark 8 – Withdrawal arrangements	Satisfied	
<p>RG 45.81</p> <p>The Responsible Entity should provide details on whether investors will be able to withdraw from a Fund. The Responsible Entity should disclose:</p> <ul style="list-style-type: none"> a) The maximum withdrawal period allowed under the constitution for the Fund b) Any significant risk factors or limitations that may affect the ability of investors to withdraw from the Fund (including factors that may prevent the Responsible Entity from meeting a promoted withdrawal period) c) The Responsible Entity’s approach to rollovers, including whether the default is that investments in the Fund are automatically rolled over d) If withdrawals from the Fund are funded from an external liquidity facility, the material terms of this facility including any rights the provider has to suspend or cancel the facility. 		<p>RG 45.81</p> <p>At present, no redemption or withdrawal from the Fund is possible.</p>
<p>RG 45.82</p> <p>If the Fund promotes a fixed redemption unit price for investments, the Responsible Entity should clearly disclose the circumstances in which a lower amount may be payable, together with details of how that amount will be determined.</p>		<p>RG 45.82</p> <p>At present, no redemption or withdrawal from the Fund is possible.</p>

Annexure A

A) CLASS OF ACTIVITY

TYPE	VALUE	% VALUE	NO.	% OF NO.
Commercial	\$40,542,604	9.0%	4	9.3%
Industrial	\$1,785,952	0.4%	1	2.3%
Residential	\$192,791,457	42.8%	21	48.8%
Vacant Land	\$215,058,571	47.8%	17	39.5%
Total	\$450,178,584	100.0%	43	100.0%

B) GEOGRAPHIC REGION

REGION	VALUE	% VALUE	NO.	% OF NO.
NSW	\$14,102,667	3.1%	1	2.3%
QLD	\$245,817,706	54.6%	28	65.1%
VIC - Martha Cove	\$149,848,295	33.3%	11	25.6%
VIC - Other	\$40,409,917	9.0%	3	7.0%
Total	\$450,178,584	100.0%	43	100.0%

C) LOANS IN DEFAULT OR ARREARS

LOANS IN DEFAULT	NO. OF LOANS	LOAN VALUE	% OF PORTFOLIO (BY VALUE)
Mortgagee in Possession	13	\$112,769,496	27.0%
Other Loans in default or Interest/maturity arrears	23	\$305,011,418	73.0%
Total	36	\$417,780,914	100%

D) NATURE OF THE SECURITY FOR LOANS

NATURE OF SECURITY	LOAN VALUE	NO. OF LOANS
1st Ranking Mortgage	\$416,797,684	35
2nd Ranking Mortgage	\$30,005,848	7
1st and 2nd Ranking Mortgage	\$3,375,052	1
Total	\$450,178,584	43

E) LARGEST BORROWER AND THE LARGEST 10 BORROWERS

LARGEST BORROWERS	LOAN VALUE	% OF LOAN PORTFOLIO
Top 10 Borrowers	\$297,210,837	66.0%
Largest Borrower	\$74,396,747	16.5%

F) UNDRAWN LOAN COMMITMENTS

	\$ VALUE	NO. LOANS
Undrawn loan commitments	\$2,826,238	4

G) MATURITY PROFILE OF ALL LOANS

	NO. OF LOANS	LOAN VALUE	% OF PORTFOLIO (BY VALUE)
Past due	34	\$338,011,284	75.1%
< 3 months	2	\$79,769,630	17.7%
>3 Months and < 1 Year	2	\$15,541,445	3.5%
1-2 years	4	\$16,818,822	3.7%
>3 years	1	\$37,403	0.0%
Total:	43	\$450,178,584	100.0%

H) LVR FOR LOANS IN PERCENTAGE RANGES

LVR RANGE	NO. OF LOANS	LOAN VALUE	% OF PORTFOLIO (BY VALUE)
Less than 50%	2	\$12,203,796	2.7%
Loans between 51%-60% of security value	3	\$33,464,366	7.4%
Loans between 61%-70% of security value	4	\$60,171,393	13.4%
Loans between 71%-80% of security value	9	\$133,744,390	29.7%
Loans between 81%-90% of security value	11	\$164,098,426	36.5%
Loans between 91%-100% of security value	7	\$30,586,563	6.8%
Loans greater 100%	1	\$3,271,188	0.7%
No Security Value	6	\$12,638,462	2.8%

I) INTEREST RATES ON LOANS, IN PERCENTAGE RANGES

	NO. OF LOANS	LOAN VALUE
0.0%	-	\$0
9.0% -9.9%	43	\$450,178,584
10.0% -10.9%	-	\$0
11.0% -11.9%	-	\$0
12%-12.9%	-	\$0
Total:	43	\$450,178,584

J) LOANS WHERE INTEREST HAS BEEN CAPITALISED

	NO. OF LOANS	LOAN VALUE
Interest has been capitalised	43	\$450,178,584