

Balmain Trilogy Warns that Claims Against Sullivan and Others May Be At Risk

Balmain Trilogy today warned that potential claims against Phil Sullivan and others could be halted if Matthew Bransgrove, his lawyer, was to succeed in his attempt to change the Responsible Entity of the Pacific First Mortgage Fund (PFMF).

Balmain Trilogy has embarked on a significant initiative to recover the Fund's losses by prosecuting numerous claims against numerous parties including Mr Sullivan. Balmain Trilogy advises that the pursuit of these claims provides the single best opportunity for Unitholders to recover lost value and is without doubt in the best interests of Unitholders.

The pursuit of these claims, however, is certainly not in the interests of Mr Sullivan.

Our primary concern is that a key player, Matthew Bransgrove:

- On the **one hand** acts for Mr Sullivan (as his lawyer); but
- On the **other hand**, is the driving force behind the bid to remove Balmain Trilogy as manager of PFMF.

We are not sure how Mr Bransgrove can reconcile the clear conflict of purporting to acting for two parties (Sullivan and Unitholders) when their interests are diametrically opposed.

Balmain Trilogy is also unsure for whom Mr Bransgrove is acting when he repeatedly states that there are no potential claims against Mr Sullivan.

The following statement made by Bransgrove in a letter to Balmain Trilogy's lawyers on 22 November 2011 indicates Bransgrove believes the examination of Sullivan will not be pursued if Balmain Trilogy is removed:

*Our client will therefore be approaching the Court to have this matter [THE EXAMINATION OF SULLIVAN] set aside as an abuse of process. **However, because it is probable that your client [THE CURRENT RESPONSIBLE ENTITY] will no longer be the Responsible Entity of the fund in the New Year, in the interests of saving the Court's time an approach will not be made until after 9 December 2011.***

"Balmain Trilogy is committed to pursuing claims against those responsible for the Fund's losses and will resist any attempts to de-rail this process whether by the wrong-doers themselves or by a Sullivan-backed scheme to replace Balmain Trilogy", said Andrew Griffin, Joint CEO of Balmain Trilogy. "The recovery initiative should generate significant assets for the Fund and we see no reason why Unitholders would want to stop this initiative given that the IMF's funding agreement ensures that there is only upside for the Fund but no downside."

He added, "It has been a lengthy and expensive process to date (although all costs have been funded by IMF) but now Unitholders will see the results of this work commencing with the examination of Mr Sullivan on 2 February 2012. We look forward to hearing his answers. I guarantee he will not enjoy the questions." said Mr Griffin.