

**MEDIA RELEASE**

**2<sup>nd</sup> September 2010**

**Balmain Trilogy receives 82% unitholder support,  
falls short of required 75% majority**

The Unitholder meeting of the Pacific First Mortgage Fund (**Fund**) held in Brisbane yesterday was attended by over 680 Unitholders. Balmain Trilogy, the Investment Manager of the Fund, received the majority support of Unitholders in respect of Resolution 1, a resolution designed to enable full implementation of the proposed New Strategy for the Fund.

There were 3 resolutions put to Unitholders as follows:

**Resolution 1** would have allowed changes to the Fund's constitution to enable:

- The development of selected fund assets to achieve a better outcome for all investors;
- The commencement of a Hardship Redemption Policy;
- Separate non-redeemable units in respect of recoveries from legal proceedings to ensure Unitholders benefit from any litigation recoveries regardless of whether they accepted or declined future redemption offers and
- An amended management fee structure to better align the interests of the manager and the Unitholders.

**Resolution 2** enabled Unitholders to elect whether redemptions are to be made at either current value or issue price.

**Resolution 3** was a resolution proposed by certain member of the Fund (and was not supported by Balmain Trilogy) which sought to reduce the manager's fee from 1.5% of the gross assets to 1.25% of the net assets of the fund.

Resolution 1 received the support of 82% of all Unitholders by number and 67% of all units voted. Unfortunately, the voice of 82% of Unitholders was not sufficient and the vote fell short of the required 75% majority needed to pass the Resolution. However, with 82% of Unitholders voting in favour of Resolution 1, Balmain Trilogy believes that this confirms strong Unitholder support for the New Strategy.

Resolution 2 was conditional upon Resolution 1 being passed, hence was not effective and Resolution 3 was soundly defeated (see below vote results).

Andrew Griffin, Joint CEO said, "It is unfortunate that 82% of the voting Unitholders will be unhappy with this result. There is, however, no doubt that the campaign of misleading and deceptive information promulgated by a minority 'action' group with no apparent agenda and that targeted large Unitholders was a contributing factor to Resolution 1 not being passed."

The consequences of Resolution 1 not being passed are as follows:

- Hardship payments cannot be made under the Fund's present constitution because a unit price based on underlying asset values cannot be struck. Balmain Trilogy is urgently seeking guidance as to how to commence Hardship payments;
- The management fee will remain at 1.5% and not be reduced to 1%
- There will be no introduction of performance/incentive fee for Balmain Trilogy to act as development manager in respect of some of the Fund's assets; and,
- Unitholders will be denied the individual choice as to whether they can accelerate or delay their exit by way of future redemptions from the Fund.

Balmain Trilogy confirms that, notwithstanding the failure of Resolution 1, it is committed to the following:

- Targeting to repay \$295m, or 71% of the current assets of the Fund, to Unitholders prior to October 2012.
- A pro rata payment to all Unitholders of \$35m in October 2010;
- Returning any excess liquidity to Unitholders promptly and regularly;
- Will continue to act in the best interests of all Unitholders in maximizing the value of recoveries and no fire-sales will occur;
- Will continue to work to find ways to ensure the maximum returns from assets such as Asset 34 or Martha Cove are achieved. Trilogy and Balmain Trilogy will continue to act in the best interests of Unitholders and if that means developing assets, then Trilogy will appoint appropriately skilled development managers where it considers it to be in the best interests of Unitholders; and
- Will improve communications to all Unitholders.

Rodger Bacon, Joint CEO added, "Trilogy and Balmain Trilogy will continue to act in the best interests of Unitholders and will continue to both maximise the value of the Fund and minimise the time period for redemptions to occur."

OFFICIAL VOTING RESULTS

<b>Resolution 1</b>	<b>No. Units</b>	<b>%</b>
Votes cast 'FOR' the motion	442,656,102	66.72
Votes cast 'AGAINST' the motion	220,790,190	33.28
<b>TOTAL VOTES CAST</b>	<b>663,446,292</b>	<b>100.00</b>

<b>Resolution 2</b>	<b>No. Units</b>	<b>%</b>
Votes cast for Current Value	434,400,751	65.73
Votes cast for Issued Price	226,524,071	34.27
<b>TOTAL VOTES CAST</b>	<b>660,924,822</b>	<b>100.00</b>

<b>Resolution 3</b>	<b>No. Units</b>	<b>%</b>
Votes cast 'FOR' the motion	234,019,673	35.92
Votes cast 'AGAINST' the motion	417,515,523	64.08
<b>TOTAL VOTES CAST</b>	<b>651,535,196</b>	<b>100.00</b>