

The Chief Executive Officer
 Balmain Trilogy
 Level 10, Brisbane Club Tower,
 241 Adelaide Street
 Brisbane 4000 QLD

03 August 2010

Dear Sir:

Rè: Unit Holders Call for Balmain Trilogy to Convene Meeting

We the undersigned comprising 100+ Members in the Pacific First Mortgage Fund who are entitled to vote on the resolution, request you to call and arrange a meeting of Members of the "Scheme" in accordance with Section 13 sub-section 13.2 of the Pacific First Mortgage Fund Constitution, to discuss and vote on proposals to adopt resolutions, most in accordance with Section 20 sub-section 20.1 (a) of the said Constitution.

We request that the meeting to discuss and vote on the said proposals be held at a venue in Brisbane in accordance with Section 16 sub-section 16.1 of the said Constitution with links to venues in Sydney and Melbourne using technology that gives the Members as a whole a reasonable opportunity to participate as provided for in Section 16 sub-section 16.2 of the said Constitution.

We also request that the provisions concerning proxies in Section 17 of the said Constitution be adhered to.

We the undersigned comprising 100+ Members in the Pacific First Mortgage Fund submit the following proposals for the consideration of the Members of the Scheme:

1. **that the value of Member's Interests be re-affirmed as \$1.00.**
2. **That the Scheme be terminated on or before 30 June 2015 or on a date as soon as practicable thereafter be given effect by the following amendment to Clause 9(1) of the Scheme's Constitution:-**

delete the words "80 years from the commencement date" and insert the words "on 30 June 2015 or on a date as soon as practicable thereafter, providing such extension of time is in Members' best interests"

3. **That the manager shall make annual payments of not less than 5%, and not more than 10% of each member's equity in the Scheme be given effect by the deletion/insertion of the following clauses in the Scheme's Constitution:-**

Delete Clauses 11 to 11C (inclusive)

Insert Clause 11 Annual Payments

11.1 Voluntary redemptions are no longer permitted by this Constitution.

11.2 The manager shall make annual payments of not less than 5% , but not more than 10%, of each member's equity in the Scheme.

11.3 The manager shall fund the annual payments by realising part or all of the Assets.

11.4 The first annual payment must be made prior to 31 December 2010, and then prior to 31 December in each subsequent year until the final annual payment by 31 December 2014.

11.5 In the event an annual payment is not made, then the Manager must inform Members as to the reasons for the failure to make the payment, such reasons must disclose that the failure to make the payment was in Members' best interests.

11.6 In the event the CBA facility is repaid in full, then at the Manager's sole discretion, the annual payment may exceed 10%.

11.7 Any payment not made in one year must be made in the next year and does not abrogate the Manager's obligation to make the payment due in that next year.

4. **That the manager shall disclose on the Scheme's website the details of the disposal of each asset (or part thereof), as well as details of each matter of litigation in which the Scheme, or the manager on behalf of the Scheme, is a party be given effect by the insertion of the following clauses in the Scheme's Constitution:-**

Insert Clause 29 Information For Members

The manager shall create a website ("the Scheme's website") for the sole benefit of members of the Scheme. The Scheme's website shall:

- (a) be acquired, constructed, and maintained at the Scheme's sole expense;
- (b) be acquired on behalf of the Scheme; and
- (c) always remain the property of the Scheme.

Insert Clause 29.2 Asset Disposal Information

The manager shall cause the following information to be published on the Scheme's website in a concise and professional manner for each Scheme Asset (or part thereof) disposed of by sale or otherwise at any time after 31 July 2009:

- (a) the total cost of the Asset to the Scheme (total loan value), which value shall be free of impairment or accounting mechanism designed to reduce its real value to the Scheme;
- (b) the cost of maintaining the Asset;
- (c) liquidator/Receiver fees attributable to the Asset;
- (d) Selling costs attributable to the Asset (including real estate agents fees/advertising/auction costs, and the like);
- (e) management fees attributable to the Asset;
- (f) any other costs attributable to the Asset; and
- (g) the net profit or (loss) to the Scheme resulting from the disposal.

Insert Clause 29.3 Litigation Information

The manager shall cause the following publicly available information to be published on the Scheme's website in a concise and professional manner for each matter of litigation to which the Scheme, or the Manager (as responsible entity for the Scheme) is/are a party:

- (a) any statement of claim, claim, or other such document;
- (b) any defence;
- (c) any cross-claim; and
- (d) any reply.

Insert Clause 29.4 Time for Publication

The manager shall make such publications as required by Clause 29 within:

- (a) 21 days from date of disposal of an asset described in Clause 29.2, and
- (b) 7 days from the day of such document in Clause 29.3 being available in a court registry.

5. **That the CBA facility shall be written down at an effective rate of \$1m per month, resulting in a reduction of no less than \$12m per financial year be given effect by the insertion of the following clauses:-**

Insert Clause 30 CBA Facility to be Paid Off

The Manager shall, by its best endeavours, repay the Scheme's CBA debt facility by the payment of \$1m per calendar month, or \$12m per calendar year beginning one month from the date of implementation of this provision.

30.1 However, if in the opinion of the Manager, in consultation with the Scheme's auditor, and taking into account the Scheme's obligations under any deed or guarantee that a greater sum be paid, or that in the circumstances, a lesser sum be paid, then the Manager shall pay the greater of lesser sum, whatever the case may be.

6. **That hardship payments be made to those members who qualify for hardship under ASIC's guidelines to the full extent of any qualifying member's equity be given effect by the insertion of the following Clauses in the Scheme's Constitution:-**

Insert Clause 1.1 Defined Terms

Insert the words "**Member's Equity** means an amount of money equal to the product of the Scheme's NTA and a member's total number of interests in the Scheme."

Insert Clause 1.1 Defined Terms

Insert the words "**NTA** means a value, expressed as a percentage, being the Scheme's total net asset value divided by the total number of interests in the Scheme."

Insert Clause 11D Hardship Payments

11D.1 Notwithstanding any other provision in this Constitution, the manager shall make payments to any member qualifying as suffering hardship pursuant to any relevant ASIC guideline. The manager shall:

- (a) Seek the appropriate authority from ASIC to make hardship payments;
- (b) pay each qualifying member a total amount equal to that member's equity in the Scheme, or such amount as permitted by ASIC (which ever is the lesser amount); and
- (c) put in place the necessary accounting provisions to ensure fairness to all members.

7. **That payments from the Scheme are made in an ordered priority be given effect by the insertion of the following clauses in the Scheme's Constitution:-**

Insert Clause 31 Priorities of Payments

Notwithstanding any other provision in this Constitution, the order in which the manager should endeavour to make payments should be:

- (a) necessary expenses relating to the operation of the Scheme;
- (b) mandatory facility repayment;
- (c) hardship payments;
- (d) additional discretionary facility repayment;
- (e) provision for litigation;
- (f) urgent asset improvement/enhancement;
- (g) annual payments to members; and
- (h) asset improvement/enhancement in the ordinary course of business.

8. **That the Manager cause an annual meeting be held be given effect by the insertion of the following clauses in the Scheme's Constitution:-**

Insert Clause 31 Annual General Meeting

The Manager shall call a general meeting of Members in order to:

- (a) present the Scheme's annual financial report;
- (b) inform Members of Scheme achievements;
- (c) report compliance with the Scheme's termination; and
- (d) allow Members questions of the Manager.

9. **That the manager shall provide members with an interim mid-year financial report as at 31 December of each year, beginning 31 December 2010 be given effect by the insertion of the following clauses in the Scheme's Constitution:-**

Insert Clause 25.9 Interim Mid-Year Financial Report

The Manager shall produce a mid-year financial report for the benefit of Members and report to Members for each Mid-Financial Year by sending Members copies of the Mid-Financial Year Report within 3 months after the end of each mid-financial year.

10. **That the manager is to take such legal action/s as recommended by the legal report on behalf of the Scheme be given effect by the insertion of the following clauses in the Scheme's Constitution:-**

Insert Clause 32 Litigation

32.1 The Manager has commissioned a legal report on behalf of the Scheme, such legal report recommends certain legal actions be taken in order to recover losses suffered by the Scheme. The Manager shall:

- (a) at its sole discretion and on the Scheme's behalf, and at the Scheme's sole expense, commence any proceeding recommended in the legal report;
- (b) make provision for such legal action/s providing a cost opinion has been obtained from an eminent senior barrister;
- (c) be entitled to a one time success fee of 10% on any award of damages of less than \$50m, 8% on more than \$50m but less than \$100m, and 6% on any award of damages in excess of \$100m; and
- (d) on receipt of any award into the Scheme, immediately distribute such award to Members.

32.2 The Manager shall be entitled to a one time success fee of 10% on any recovered costs.

32.3 The Manager shall not be permitted to use information gained as Manager of the Scheme, nor shall permit any other party to use such information (except by way of court order), to engage in any legal action not expressly permitted pursuant in Clause 32.

- 11. That the manager shall not permit new offers nor new applications for investment in the Scheme be given effect by the following deletion of clauses in the Scheme's Constitution:-**

Delete Clause 3.1 Offers

Delete Clause 3.2 Applications

- 12. That only distributions of capital be made to Members be given effect by the following deletion/amendments to clauses in the Scheme's Constitution:-**

Delete Clause 8.2

Insert Clause 8.2 Distributions to Members

- (a) all distributions to Members shall be that of capital; and
- (b) notwithstanding any other provision in this Constitution, the manager is expressly prohibited from making distributions of income.

We also request that you circulate the attached statements about the proposed resolutions as provided for in Section 13 sub-section 13.2(c) of the said Constitution, to each of the Members, in accordance with Section 13 sub-section 13.2 (g) of the said Constitution.

We are aware that you intend to hold a meeting of Members in September and in order to contain the costs of calling meetings payable by the Scheme, would be agreeable to the above proposals being considered at that meeting, provided (a) it does not prejudice our rights under the PFMF Constitution in any way, and (b) that the undersigning Members bear no personal financial cost.

1. Member Name CS & HM. VEITCH
Member Number 43588730
Member Signature CS Veitch Kelvin M. Veitch

2. Member Name _____
Member Number _____
Member Signature _____

3. Member Name _____
Member Number _____
Member Signature _____

4. Member Name _____
Member Number _____
Member Signature _____

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