

**Offer to buy up to 435 million units in**

**Pacific First Mortgage Fund**

**ARSN 088 139 477**

**PJPL offers to acquire your units in the**

**Pacific First Mortgage Fund for 26 cents cash per unit**

If you need assistance with your acceptance please contact the PJPL Offer Line on 1800 707 861 (toll free for callers within Australia) or on +61 2 8256 3387 (for callers outside Australia).

**This is an important document that requires your immediate attention.  
You should read this Offer Booklet in its entirety before making any investment decisions.**

**If you are unsure as to how to deal with this Offer, you should seek  
independent financial, taxation or other professional advice.**



## IMPORTANT NOTICES

This Offer Booklet is dated 23 August 2010 and has been prepared and issued by Project Junior Pte. Ltd. (**PJPL**), a Singaporean private company. You should read this Offer Booklet in its entirety. Pursuant to this Offer Booklet, PJPL makes an offer (**Offer**) to the holders of units (**PFMF Units**) in the Pacific First Mortgage Fund ARSN 088 139 477 (**PFM Fund**) to buy up to a maximum of 435 million PFMF Units for 26 cents cash per PFMF Unit. If PJPL receives acceptances of more than 435 million PFMF Units as of 30 September 2010, PJPL will scale back the number of PFMF Units it purchases from each accepting PFMF Unitholder on a pro-rata basis. If there have not been acceptances in excess of 435 million PFMF Units by 30 September 2010 and PJPL extends the Offer Period, thereafter PJPL will treat acceptances on a first-come, first-served basis until the total number of PFMF Units acquired by PJPL equals 435 million PFMF Units.

A number of defined terms are used in this Offer Booklet. The first letters of these terms are capitalised and they are explained in Section 9.

This Offer Booklet is not, and is not required to be, a bidder statement given under the Corporations Act. It has not been, and is not required to be, lodged with ASIC.

The information in this Offer Booklet regarding the PFM Fund has been taken from a number of sources (see Section 2.2). None of the information in this Offer Booklet concerning the PFM Fund has been verified by any person. Accordingly, subject to the Corporations Act, none of PJPL, its advisers, persons named in this Offer Booklet and each person involved in the preparation of this Offer Booklet makes any representation (express or implied) as to the accuracy or completeness of such information. The information on the PFM Fund in this Offer Booklet should not be considered to be comprehensive.

Nothing in this Offer Booklet should be construed as financial product advice. This Offer Booklet does not take into account the individual investment objectives, financial situation or the needs of any particular PFMF Unitholder or any other person. You may wish to seek independent financial, taxation or other professional advice before making a decision as to whether or not to accept the Offer for your PFMF Units.

This Offer Booklet includes forward-looking statements which have been based on PJPL's current expectations and intentions about future events. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause actual results and events to differ materially from the expectations or intentions described in such forward-looking statements. These factors include, among other things, matters beyond the control of PJPL, not yet known to PJPL or not currently considered material by PJPL.

The distribution of this Offer Booklet may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Offer Booklet should inform themselves of, and observe, these restrictions.

Unless otherwise specified, all references to time in this Offer Booklet are to time in Sydney, New South Wales and references to \$ or currency is to Australian dollars.

## IMPORTANT DATES

Date of Offer	23 August 2010
Closing Date*	5:00 pm on 30 September 2010 unless extended (see Section 6.5) or withdrawn (provided that the Offer must be open for minimum period of one month)
Payment of cash purchase price	Within 10 Business Days of the later of the satisfaction or waiving of the Conditions by PJPL and the date of your acceptance

\*If the Offer is extended by PJPL for longer than 20 Business Days and it is still subject to Conditions, PJPL will allow those PFMF Unitholders who have accepted the Offer one week to consider whether they wish to withdraw their acceptance.

**This is an important document that requires your immediate attention. You should read this Offer Booklet in its entirety before making any investment decisions. If you are unsure as to how to deal with this Offer, you should seek independent financial, taxation or other professional advice.**

## WHY YOU SHOULD ACCEPT THIS OFFER

Although the Offer Price of 26 cents is less than the audited 31 December 2009 NTA per PFMF Unit of 47 cents and the unaudited 30 June 2010 NTA<sup>1</sup> per PFMF Unit of 48.5 cents (prior to any further statutory impairment of the assets for accounting purposes), the Offer may be attractive to you as a PFMF Unitholder if you wish to realise your investment in the near term:

- Redemptions of PFMF Units have been frozen since July 2008 and PFMF Units do not trade on the ASX, so there is currently no liquid market for your PFMF Units.
- You will receive cash proceeds for your PFMF Units and pay no brokerage fees or transaction costs of any kind.
- By selling your PFMF Units you may be crystallising a capital loss which you may be able to offset against other capital gains.
- There is currently no alternative superior offer available to acquire your PFMF Units.
- You will be paid within 10 Business Days of the later of the Conditions being satisfied or waived by PJPL and the date of your acceptance.
- Balmain Trilogy is targeting to return 33 cents per PFMF Unit by October 2012 through the implementation of the New Strategy. However, the timing and amount of any distributions from the PFM Fund rely upon the successful implementation of the New Strategy. By accepting this Offer you will be able to realise part or all of your investment in the PFM Fund immediately.
- The PFM Fund's debt facility currently restricts the making of distributions to PFMF Unitholders.
- PJPL has access to sufficient capital to fund the Offer. The Offer is not contingent on financing.

You should note that:

- The NTAs per PFMF Unit referred to above do not include any amount for the value of any legal actions that the PFM Fund may have nor any revaluation of assets of the PFM Fund as at 30 June 2010.
- The actual amount that is ultimately distributed to a PFMF Unitholder out of the PFM Fund may be more or less than the NTAs per PFMF Unit referred to above.
- The PFM Fund will not receive the proceeds of any PFMF Units sold pursuant to the Offer.
- Balmain, Trilogy and Balmain Trilogy do not have any vested interest in the Offer and will receive no financial benefit whatsoever if PFMF Unitholders accept this Offer.
- In some circumstances, there may be adverse tax consequences if the same individuals cease to hold more than 50% of the PFMF Units (see section 7.2).

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<sup>1</sup> Based on the PFM Fund Unaudited 30 June 2010 Accounts as calculated and reported by Trilogy in the PFM Fund Explanatory Memorandum.

## 1 KEY FEATURES

This Section provides you with a summary of the Offer. You should read this Offer Booklet in its entirety before deciding whether to accept the Offer.

<b>THE OFFER</b>	<p>PJPL is offering to acquire up to a maximum of 435 million PFMF Units (<b>Offer Cap</b>).</p> <p>Subject to the Offer Cap, you may accept the Offer for some or for all of your PFMF Units.</p>
<b>OFFER PRICE</b>	<p>PJPL is offering 26 cents cash per PFMF Unit.</p> <p>The Offer Price of 26 cents is less than the audited 31 December 2009 NTA per PFMF Unit of 47 cents and the unaudited 30 June 2010 NTA per PFMF Unit of 48.5 cents (prior to any further statutory impairment of the assets for accounting purposes). See the previous Section "Why you should accept this Offer" for more information.</p>
<b>CONDITIONS OF THE OFFER</b>	<p>The Offer is made subject to the conditions set out in Attachment 2 (<b>Conditions</b>). In summary these are:</p> <ul style="list-style-type: none"><li>• PJPL acquires a relevant interest in at least 10% of all of the PFMF Units;</li><li>• PFMF Unitholders validly pass Resolution 1;</li><li>• there is no adverse action or determination by any Government Agency during the Offer Period;</li><li>• there are no material adverse changes to the PFM Fund or Trilogy during the Offer Period;</li><li>• other than as disclosed by Trilogy before the Announcement Date:<ul style="list-style-type: none"><li>○ no material legal proceedings commence during the Offer Period;</li><li>○ during the Offer Period, the PFM Fund does not dispose of an asset for less than 90% of the current impaired value; and</li><li>○ there are no prescribed occurrences during the Offer Period;</li></ul></li><li>• the Trilogy directors confirm, during the Offer Period, that there are no material change of control rights; and</li><li>• provided the Offer Period does not exceed 6 weeks, the record date for the Litigation Recovery Entitlement Unit does not occur before the Closing Date.</li></ul>

	<p>PJPL may in its absolute discretion choose to, or choose not to, waive any Conditions.</p> <p>For the full text of the Conditions and other terms of the Offer, you should refer to the full Offer terms in Section 6 and the Conditions set out in Attachment 2.</p> <p>If the Conditions are not satisfied or waived by the Closing Date the Offer will lapse.</p>
<p><b>LITIGATION RECOVERY ENTITLEMENT UNIT</b></p>	<p>If you choose to accept the Offer, you will be choosing to transfer all the Rights relating to your PFMF Units to PJPL including the entitlement to receive the Litigation Recovery Entitlement Unit. The Offer Price of 26 cents is for both the PFMF Unit and any subsequent Litigation Recovery Entitlement Unit issued in respect of the PFMF Unit. If you sell only part of your unitholding to PJPL, the PFMF Units that you retain will be split and, in respect of the PFMF Units you continue to hold, you will receive the corresponding number of Litigation Recovery Entitlement Units.</p>
<p><b>OFFER PERIOD</b></p>	<p>The Offer Period opens on the Offer Date and ends on the Closing Date which is 5:00pm on 30 September 2010 or:</p> <p>(a) if PJPL extends the Closing Date, the Extended Closing Date; or</p> <p>(b) provided that the Offer has been open for at least one month, if PJPL withdraws the Offer, the date on which the Offer is withdrawn.</p> <p>If the Offer is extended by PJPL for longer than 20 Business Days and it is still subject to Conditions, PJPL will allow those PFMF Unitholders who have accepted the Offer one week to consider if they wish to withdraw their acceptances.</p>
<p><b>OVER-ACCEPTANCES AND SCALING BACK</b></p>	<p>PJPL is offering to acquire up to 435 million PFMF Units.</p> <p>If PJPL receives acceptances for more than 435 million PFMF Units as of 30 September 2010, PJPL will reduce the number of PFMF Units to be purchased from each accepting PFMF Unitholder on a pro-rata basis such that the total number of PFMF Units acquired by PJPL will equal 435 million PFMF Units.</p> <p>If PJPL has received acceptances for fewer than 435 million PFMF Units as of 30 September 2010 and PJPL elects to extend the Closing Date, PJPL will treat any further acceptances on a first-come, first-served basis until the total number of PFMF Units acquired by PJPL equals 435 million PFMF Units.</p>
<p><b>WHEN WILL YOU BE PAID?</b></p>	<p>If you accept the Offer, you will be paid within 10 Business Days after the Conditions are satisfied or waived by PJPL.</p> <p>If the Offer is extended by PJPL for longer than 20 Business Days and is still subject to Conditions, PJPL will allow those PFMF Unitholders who have accepted the Offer one week to consider if</p>

	they wish to withdraw their acceptances.
<b>HOW TO ACCEPT THE OFFER</b>	<p>You can accept the Offer by completing the accompanying Acceptance Form and:</p> <ul style="list-style-type: none"> <li>• mailing it in the pre-paid envelope to: <p style="margin-left: 40px;">Computershare Fund Services Pty Limited Reply Paid 86174 Melbourne Victoria 8060; or</p> </li> <li>• delivering it to: <p style="margin-left: 40px;">Computershare Fund Services Pty Limited 452 Johnston Street Abbotsford Victoria 3067.</p> </li> </ul>
<b>BROKERAGE AND DUTY</b>	You will not pay any brokerage or duty if you accept the Offer.
<b>FURTHER INFORMATION</b>	<p>You should carefully read this Offer Booklet. If you have any questions in relation to the Offer you should first contact your financial, taxation or other professional adviser.</p> <p>If you have questions on how to accept the Offer, you should read the instructions for filling out the accompanying Acceptance Form or contact the PJPL Offer Line on 1800 707 861 (toll free for callers within Australia) or on +61 2 8256 3387 (for callers outside Australia).</p> <p>If you have any questions in relation to your unitholding in the PFM Fund, you should contact the Balmain Trilogy Client Services Team on 1800 194 500.</p>

**What you should do:**

- **Step 1** - Read this entire Offer Booklet carefully and consider the information provided on PJPL and the PFM Fund.
- **Step 2** - If you are in any doubt about what to do, you should consult your financial, taxation or other professional adviser as soon as possible. If you have questions about how to accept the Offer, please contact PJPL's Offer Line on 1800 707 861 (toll free for callers within Australia) or on +61 2 8256 3387 (for callers outside Australia).
- **Step 3** - If you wish to accept this Offer, follow the instructions for filling out the accompanying Acceptance Form.

## **2 INFORMATION ABOUT THE PFM FUND**

### **2.1 PFM Fund Explanatory Memorandum and Independent Expert's Report**

The PFM Fund Explanatory Memorandum and the Independent Expert's Report contain detailed information concerning the PFM Fund and PFMF Units. You should read them carefully before making any decision concerning the Offer.

### **2.2 Source of information**

The information on the PFM Fund contained in this Offer Booklet has been prepared by PJPL using publicly available information including information available on Trilogy's website and the following documents lodged with ASIC:

- disclosure notices;
- the constitution of the PFM Fund; and
- product disclosure statements offering PFMF Units for issue.

Trilogy made the following information available to PJPL:

- the PFM Fund Explanatory Memorandum;
- the PFM Fund Notice of Meeting;
- the Investment Management Agreement between Trilogy and Balmain Trilogy;
- the Investigation, Management and Funding Agreement;
- the Independent Expert's Report; and
- the Cashflow Forecast Model.

Trilogy did not make any of the unfinished June 2010 property valuation reports available to PJPL, although it did make available older valuations.

Trilogy also gave PJPL controlled access to its professional advisers (including access to some of their reports) and to Trilogy's loans management system to allow PJPL to understand at a high level the recovery process that Trilogy is undertaking with respect to the enforcement of its securities.

PJPL was also provided with the Cashflow Forecast Model for the PFM Fund prepared by Balmain Trilogy. The Cashflow Forecast Model included forecast loan repayments following the assumed sale (at their current valuation) of properties over which the PFM Fund has security.

The information in this Section 2 has not been independently verified and PJPL does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on the PFM Fund included in this Offer Booklet should not be considered to be comprehensive.

### 2.3 Fair estimate of the value of a PFMF Unit

Based solely on the PFM Fund Explanatory Memorandum and the financial accounts of the PFM Fund, the estimated fair value of a PFMF Unit is the NTA per PFMF Unit.

Trilogy has reported that:

- the audited 31 December 2009 NTA per PFMF Unit was 47 cents; and
- the unaudited 30 June 2010 NTA per PFMF Unit was 48.5 cents (prior to any further statutory impairment of the assets for accounting purposes).

PJPL is not aware of any material change to the financial position of the PFM Fund since 30 June 2010. PJPL is offering 26 cents per PFMF Unit which is less than the estimated fair value of a PFMF Unit as at 31 December 2009 and 30 June 2010.

Based on the disclosed number of issued PFMF Units being 887,040,412 and the net asset position of the PFM Fund of \$429,454,000 as at 30 June 2010 (prior to any further statutory impairment of the assets for accounting purposes) reported in the PFM Fund Explanatory Memorandum, the 30 June 2010 NTA per PFMF Unit was 48.5 cents (prior to any further statutory impairment of the assets for accounting purposes).

In the PFM Fund Explanatory Memorandum, Trilogy states:

"The net asset value [of the PFM Fund] is determined by Trilogy in accordance with the constitution [of the PFM Fund], the Corporations Act and applicable accounting standards (as supported by independent valuation advice from registered valuers and adopted in the accounts following a full review by the Fund's auditor)."

### **3 MORGAN STANLEY INFORMATION**

#### **3.1 Overview**

The Offer is being made by PJPL, a Singaporean private company recently incorporated for the purpose of making the Offer.

All of the shares in PJPL are held by Morgan Stanley Real Estate Special Situations Fund III, LP (**MS SSF III**).

#### **3.2 MS SSF 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.

#### **3.3 Morgan Stanley**

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth management services. Its employees serve clients worldwide including corporations, governments, institutions and individuals from more than 1,200 offices in 36 countries. For further information about Morgan Stanley, please visit [www.morganstanley.com](http://www.morganstanley.com).

## 4 SOURCES OF OFFER CONSIDERATION

### 4.1 Maximum Offer Consideration

If the Conditions are satisfied or waived by PJPL, PJPL will acquire a maximum of 435 million PFMF Units and will pay PFMF Unitholders whose PFMF Units it purchases a cash amount of 26 cents per PFMF Unit purchased. PJPL will pay the consideration within 10 Business Days of the later of the satisfaction or waiver by PJPL of the Conditions and the acceptance.

The maximum amount of cash required to be paid by PJPL to PFMF Unitholders under the Offer is approximately \$113.1 million (**Maximum Offer Consideration**). This amount reflects the Offer Cap of 435 million PFMF Units that PJPL may purchase multiplied by the Offer Price per PFMF Unit of 26 cents.

PJPL will fund the Offer consideration using funds it will obtain through calling on MS SSF III to provide funding pursuant to the PJPL Commitment Letter. As set out below, the total amount available to PJPL under the PJPL Commitment Letter is sufficient to pay the Maximum Offer Consideration.

### 4.2 PJPL Commitment Letter

Under the PJPL Commitment Letter, MS SSF III has undertaken to provide to PJPL sufficient funds to allow PJPL to satisfy its obligations to pay the Offer consideration.

The obligation of MS SSF III to advance these funds is conditional on the Conditions being satisfied or waived by PJPL (see Attachment 2).

MS SSF III as at the Offer Date has cash on deposit in excess of the Maximum Offer Consideration.

PJPL is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will be able to provide the consideration required to satisfy its obligations under the Offer.

## **5 PJPL'S INTENTIONS**

### **5.1 Current intentions**

This Section 5 sets out the current intentions of PJPL regarding the PFM Fund.

In the event that PJPL becomes a significant unitholder in the PFM Fund it does not currently intend to use this position to cause any substantive changes to the current operations of the PFM Fund and, specifically, PJPL currently:

- (a) does not intend to support any substantial changes to the continued operation of the PFM Fund and intends that the business of the PFM Fund will be carried out in substantially the manner envisaged under the New Strategy;
- (b) does not intend to support any substantial changes to the operation of the PFM Fund other than through the adoption of the New Strategy;
- (c) intends to vote in favour of Resolution 1 and the Current Value Redemption Facility under Resolution 2 and against Resolution 3 at the PFMF Unitholder Meeting, if it holds any PFMF Units or is entitled to vote in respect of any PFMF Units that have been tendered to it under the Offer;
- (d) does not intend to remove Trilogy as responsible entity of the PFM Fund or to join in appointing a new responsible entity of the PFM Fund;
- (e) intends to seek the appointment of a nominee to the Balmain Trilogy development committee in charge of reviewing the development projects identified in the New Strategy and to assist Balmain Trilogy in maximising the recovery value of these projects by leveraging the global real estate expertise of Morgan Stanley Real Estate; and
- (f) does not intend to propose any particular Unitholder resolutions or to vote in favour of any resolutions other than as referred to in Section 5.1(c).

PJPL may sell PFMF Units it acquires under the Offer . PJPL has not as at the Offer Date decided whether or not to sell any PFMF Units it acquires under the Offer nor, should it decide to sell any PFMF Units it acquires under the Offer, has it identified any potential purchaser of such PFMF Units.

PJPL's intentions may change after the Offer Date and PJPL is not obliged to inform PFMF Unitholders of any change in its intentions.

### **5.2 General review of business**

If PJPL acquires PFMF Units pursuant to the Offer, PJPL currently intends to work with Trilogy and Balmain Trilogy's existing management team as they seek to implement the New Strategy for the PFM Fund.

PJPL does not currently have any specific intentions to seek to change the New Strategy.

### **5.3 Corporate governance**

If the Conditions are satisfied or waived by PJPL and PFMF Unitholders accept the Offer, PJPL will acquire PFMF Units from such accepting PFMF Unitholders.

As the Offer Cap is 435 million PFMF Units, the maximum percentage of PFMF Units that PJPL can acquire under the Offer is approximately 49%.

Following the Offer, PJPL does not currently intend to seek any special influence as to the corporate governance of the PFM Fund other than seeking:

- the appointment of its nominee to the PFMF Investor Committee;
- the appointment of its nominee to the Balmain Trilogy development committee in charge of reviewing the development projects identified in the New Strategy;
- to retain Trilogy as responsible entity of the PFM Fund; and
- to participate in an active and ongoing review of Trilogy's implementation of the New Strategy through the PFMF Investor Committee, including liaising with other PFMF Unitholders about their views on the performance of the PFM Fund.

Even though the maximum percentage of PFMF Units that PJPL can acquire is less than 50% of the PFMF Units, depending upon the number of acceptances under the Offer, PJPL may still be able to strongly influence voting outcomes at meetings of PFMF Unitholders. However, assuming that all PFMF Unitholders were entitled to vote, PJPL would not, by itself, be able to remove the responsible entity of the PFM Fund, which requires an extraordinary resolution, meaning a resolution passed by at least 50% of the total votes which could be cast at a meeting of PFMF Unitholders (including PFMF Unitholders who are not present in person or by proxy).

#### 5.4 **Compulsory acquisition of PFMF Units**

Regardless of the level of acceptances of the Offer, PJPL will not be entitled to compulsorily acquire the PFMF Units of PFMF Unitholders who decide not to accept the Offer.

#### 5.5 **Basis of intentions**

The current intentions of PJPL described above are based on:

- (a) information available in the public domain concerning the PFM Fund and its business that PJPL has considered;
- (b) the information provided to PJPL by Trilogy (see Section 2.2);
- (c) PJPL's view on the general business environment affecting the PFM Fund and PJPL as at the Offer Date; and
- (d) the circumstances which PJPL currently considers may affect the business of the PFM Fund.

These statements of intention are based on the information concerning the PFM Fund and the circumstances affecting the business of the PFM Fund that are known to PJPL at the Offer Date. Final decisions on these matters will only be reached in view of all the material facts and circumstances at the relevant times. Accordingly, PJPL's actual actions may vary from its stated current intentions. For example, these may vary as new information becomes available or circumstances change.

## 6 TERMS OF THE OFFER

This Section sets out the terms of the Offer. In this Offer Booklet, references to clauses are to clauses of this Section 6 and references to Conditions are to the Conditions in Attachment 2.

### 6.1 Offer

- (a) PJPL offers to acquire up to 435 million PFMF Units.
- (b) Subject to the Offer Cap, PJPL offers to acquire all your PFMF Units in exchange for 26 cents per PFMF Unit on the terms set out in this Offer. You may accept this Offer for all or some of your PFMF Units.

### 6.2 Payment of consideration

- (a) For every PFMF Unit you hold which is sold to PJPL under this Offer, PJPL will pay you 26 cents.
- (b) Subject to clause 6.2(c), PJPL will provide the consideration for your PFMF Units sold to PJPL under this Offer (subject to any pro-rata reduction due to acceptances in excess of the Offer Cap) within:
  - (i) if the Offer is unconditional (i.e. all Conditions have been satisfied or waived by PJPL) when accepted, 10 Business Days after the Offer is accepted; or
  - (ii) if the Offer is subject to a Condition when accepted, 10 Business Days after the Offer becomes unconditional (i.e. all Conditions have been satisfied or waived by PJPL).
- (c) If the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney) and that document is provided to PJPL:
  - (i) with your acceptance, PJPL will provide the consideration in accordance with clause 6.2(b);
  - (ii) after acceptance and before the end of the Offer Period, whilst the Offer is subject to a Condition, PJPL will provide the consideration by 10 Business Days after the later to occur of:
    - (A) 10 Business Days after the Offer becomes unconditional (i.e. all Conditions have been satisfied or waived by PJPL); and
    - (B) 10 Business Days after such additional document is provided to PJPL;
  - (iii) after acceptance and before the end of the Offer Period, whilst the Offer is unconditional (i.e. all Conditions have been satisfied or waived by PJPL), PJPL will provide the consideration 10 Business Days after such additional document is provided to PJPL; and
  - (iv) after acceptance and after the end of the Offer Period, PJPL will provide the consideration within 10 Business Days after such additional document is provided to PJPL.

### 6.3 **Payment to be mailed by cheque**

Payment of the cash consideration to which you are entitled in exchange for your PFMF Units will be mailed at your risk by cheque (or as otherwise agreed with PJPL) in Australian currency. Cheques will be sent to the address on the acceptance form by pre-paid ordinary mail, or if you have an overseas address, by pre-paid airmail.

### 6.4 **Offerees**

- (a) An Offer in this form is being made:
  - (i) to all the holders of PFMF Units at 9.00am on the Register Date; and
  - (ii) to any person who becomes registered or entitled to be registered as the holder of any of your PFMF Units during the Offer Period.
- (b) If you hold all, or any, of the PFMF Units on trust for, as nominee for, or on account of, another person, you may accept this Offer in respect of separate parcels of PFMF Units.
- (c) A person who is able during the Offer Period to give good title to a parcel of PFMF Units may accept an Offer as if an Offer had been made to that person in relation to those PFMF Units.

### 6.5 **Offer Period**

- (a) This Offer is open for acceptance during the Offer Period.
- (b) The Closing Date may be:
  - (i) extended by PJPL until the Extended Closing Date being a date after 30 September 2010 and before 1 January 2011 of which PJPL gives written notice to Trilogy (and requests Trilogy to publish it on its website); or
  - (ii) provided that the Offer has been open for at least one month, brought forward by PJPL withdrawing the Offer by sending a withdrawal document to PFMF Unitholders in accordance with the Corporations Act.

### 6.6 **Acceptance of Offer**

- (a) The return of the Acceptance Form by facsimile does not satisfy the requirements of this Offer (unless you have made prior arrangements with PJPL).
- (b) Subject to the Offer Cap, your acceptance of this Offer may be in respect of all or some of the PFMF Units registered in your name.
- (c) To accept the Offer you must complete and sign the Acceptance Form and lodge it by returning it to an address as indicated under Section 1, ("How to Accept the Offer") so that your acceptance is received before the Closing Date.

- (d) PJPL may, in its sole discretion, at any time deem any Acceptance Form it receives from you, or on your behalf, to be a valid acceptance in respect of your PFMF Units, even if a requirement for acceptance has not been complied with, but the payment of the Offer Price will not be made until any irregularity has been resolved or waived and any other documents required to procure registration have been received by PJPL.
- (e) Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, subject to the Conditions and any right to withdraw that you might have arising from PJPL extending the Offer Period by more than 20 Business Days whilst the Offer is still subject to any Condition.
- (f) The Acceptance Form which accompanies this Offer, forms part of this Offer.
- (g) If you hold more than one class of PFMF Unit and your acceptance is in respect of only some of the PFMF Units registered in your name, your acceptance will be deemed to be for as near as possible to an equal proportion of PFMF Units in each class of PFMF Unit that is registered in your name.

#### **6.7 Offer Cap and pro-rata reduction of acquired PFMF Units**

- (a) PJPL is offering to acquire a maximum of 435 million PFMF Units, representing approximately 49% of the PFMF Units on issue.
- (b) If PJPL receives acceptances for more than 435 million PFMF Units as of 30 September 2010, PJPL will reduce the number of PFMF Units to be purchased from each accepting PFMF Unitholder on a pro-rata basis such that the total number of PFMF Units acquired by PJPL shall equal 435 million PFMF Units.
- (c) If PJPL has received acceptances for fewer than 435 million PFMF Units as of 30 September 2010, and PJPL elects to extend the Closing Date, PJPL will treat any further acceptances on a first-come, first-served basis until the total number of PFMF Units acquired by PJPL equals 435 million PFMF Units.

#### **6.8 Undertakings and agreements by you on acceptance of Offer**

- (a) By signing and returning the Acceptance Form or otherwise accepting this Offer in accordance with its terms, you will be deemed to have:
  - (i) subject to the Offer Cap, accepted this Offer in respect of the number of PFMF Units specified in the Acceptance Form or if none, in respect of all the PFMF Units registered in your name;
  - (ii) undertaken and represented to PJPL, as a fundamental term that at the time of acceptance of the Offer and the time the transfer to PJPL is registered, the PFMF Units in respect of which you have accepted the Offer are, and will be, free from all mortgages, charges, liens, encumbrances and adverse interests of any nature, that you have full power and capacity to sell and transfer the legal and beneficial ownership in those PFMF Units to PJPL, and that you have paid to the PFM Fund all amounts which at the time of

acceptance have fallen due for payment to the PFM Fund in respect of those PFMF Units;

- (iii) irrevocably authorised and directed the PFM Fund to pay to PJPL, or to account to PJPL, for all Rights which are declared, paid, made, or which arise or accrue after the Offer Date in respect of your PFMF Units which PJPL acquires under this Offer. If this Offer is withdrawn, or in the event you validly withdraw your acceptance (where permitted), PJPL must account to you for any such Rights received by PJPL;
  - (iv) authorised PJPL to notify Trilogy on your behalf that your address for the purpose of serving notices upon you in respect of your PFMF Units that PJPL acquires under this Offer, is the address as specified by PJPL in the notification;
  - (v) while you are a member of the PFM Fund, irrevocably appointed PJPL and its directors, employees and agents from time to time jointly and severally as your exclusive attorney or agent with effect from the date on which the Offer is declared free of the Conditions or the Conditions by PJPL being satisfied:
    - (A) to exercise in PJPL's own interests, all your powers and rights in relation to the PFMF Units in respect of which you have accepted the Offer, including without limitation, to attend and vote and exercise any powers in respect of those PFMF Units on your behalf at any meeting of the PFM Fund including the PFMF Unitholder meeting convened pursuant to the PFM Fund Notice of Meeting;
    - (B) to receive any notice of meetings of the PFM Fund; and
    - (C) to request Trilogy to register in the name of PJPL (or its nominees) your PFMF Units in respect of which you have accepted this Offer and which you hold on any register of the PFM Fund;
  - (vi) agreed not to purport to exercise any powers which would derogate from the grant of powers to PJPL in clause 6.8(a)(v); and
  - (vii) agreed to transfer all or part of your PFMF Units in respect of which you have accepted the Offer to PJPL in accordance with the terms set out in this Offer subject to this Offer being declared free of the Conditions by PJPL or the Conditions being satisfied.
- (b) The undertakings, agreements, appointments and authorisations referred to above will remain in force after you receive the consideration for your PFMF Units acquired by PJPL, and after PJPL becomes registered as the holder of them.
- (c) PJPL will indemnify you in respect of costs, expenses and obligations to third parties incurred or undertaken as a result of the exercise by PJPL of any powers under clause 6.8(a)(v) provided, that the total amount of any such indemnification by PJPL of any PFMF Unitholder shall not exceed the aggregate Offer consideration paid to such PFMF Unitholder pursuant to this Offer.

## 6.9 Rights

- (a) Without limiting clause 6.9(c), PJPL will be entitled to all Rights in respect of the PFMF Units that PJPL acquires under this Offer.
- (b) Without limiting clause 6.9(c), if any Rights are received by you and such documents as may be necessary to vest title to those Rights in PJPL or the benefit of those Rights are not passed on to PJPL, PJPL may reduce the consideration payable to you under this Offer by the value of those Rights, as reasonably assessed by PJPL.
- (c) Provided the Offer Period does not exceed 6 weeks in length, PJPL will be entitled to any Litigation Recovery Entitlement Unit issued or to be issued in respect of any PFMF Unit sold by you to PJPL pursuant to the Offer.

## 6.10 Nature of the Conditions

Each of the Conditions:

- (a) is a separate, several and distinct condition;
- (b) operates as a condition subsequent; and
- (c) is for the benefit of PJPL alone and may only be relied upon by PJPL.

## 6.11 Freeing of Offer from Conditions

- (a) PJPL may free this Offer, and any contract resulting from its acceptance, from all, or any, of the Conditions by giving notice to Trilogy (and requesting Trilogy to publish it on its website) declaring the Offer to be free from all or any of the Conditions. This notice may be given at any time.
- (b) The breach or non-fulfilment of any of the Conditions does not, until the end of the Offer Period, prevent a contract arising to acquire your PFMF Units resulting from acceptance of this Offer, but if:
  - (i) PJPL has not declared the Offer to be free from the Conditions; and
  - (ii) the Conditions have not been fulfilled at the end of the Offer Period,then, all contracts and all acceptances will be void.

## 6.12 Withdrawal of Offer

- (a) The Offer may be withdrawn by PJPL sending a withdrawal document to PFMF Unitholders in accordance with the Corporations Act (provided that the Offer is open for at least one month from the Offer Date).
- (b) Any withdrawal of this Offer will not affect any contract formed by the acceptance of this Offer prior to such withdrawal provided that the Offer was unconditional when accepted or became unconditional before the withdrawal of the Offer.

### 6.13 **Extension**

Without limiting clause 6.12, PJPL may (one or more times) elect to extend the Closing Date up to any date before 1 January 2011 by giving notice in writing to Trilogy (and requesting Trilogy to publish it on its website).

### 6.14 **Miscellaneous**

- (a) All costs and expenses of the preparation, dispatch and circulation of this Offer and the stamp duty payable in respect of the transfers will be paid by PJPL. No brokerage is payable by you if you accept this Offer.
- (b) The Offer and any contract resulting from your acceptance of it are to be governed by the laws of New South Wales, Australia.

## 7 TAXATION IMPLICATIONS

### 7.1 Taxation implications to Australian resident unitholders

#### (a) General

The following is an outline of the Australian income tax consequences generally applicable to a PFMF Unitholder who disposes of PFMF Units under the terms of the Offer.

This outline is based on the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997*, established interpretations of legislation, applicable case law and published Australian Taxation Office statements of administrative practice as at the date of this Offer Booklet. Australian Income Tax legislation may be amended at any time and therefore the taxation consequences contained in this outline may alter if there is a prospective or retrospective change in the taxation law after the date of this Offer Booklet.

The Australian income tax implications set out below only cover Australian resident individuals who hold their PFMF Units in their personal capacity, through complying superannuation funds or Australian resident companies or trusts.

The general taxation comments contained in this Offer Booklet only apply to PFMF Unitholders that are Australian resident taxpayers who hold their PFMF Units on capital account. PFMF Unitholders who hold their PFMF Units on revenue account or as items of trading stock, or PFMF Unitholders who are not Australian residents for taxation purposes, should seek their own professional taxation advice.

The taxation consequences for a particular PFMF Unitholder may vary depending on their own particular circumstances. Accordingly, the tax information contained in this document, being of a general nature, does not constitute taxation advice and cannot be relied upon as such. PFMF Unitholders should obtain their own professional taxation advice on the taxation consequences of disposing of their PFMF Units under the terms of the Offer.

#### (b) Taxation on the disposal of PFMF Units

Where a PFMF Unitholder accepts the Offer, this should result in a disposal of their PFMF Units and should trigger a capital gains tax (**CGT**) event for those PFMF Unitholders.

The time of when the disposal of the PFMF Units will occur for CGT purposes will be the date when the PFMF Unitholder enters into the contract for the disposal of their PFMF Units. This will be the later of the time that you accept the Offer, and the time that Conditions to the Offer (as set out in Attachment 2) have either been satisfied or waived.

A capital gain or loss may arise in respect of each PFMF Unit that a PFMF Unitholder disposes under the terms of the Offer.

PFMF Unitholders who accept the Offer will make a capital gain on the disposal of their PFMF Units if the capital proceeds received under the Offer are greater than the cost base of their PFMF Units.

PFMF Unitholders who accept the Offer will make a capital loss on the disposal of their PFMF Units if the capital proceeds received under the Offer are less than the reduced cost base of their PFMF Units.

The cost base for each PFMF Unit held by PFMF Unitholders should generally be the acquisition costs and incidental costs the PFMF Unitholder incurred in acquiring

their PFMF Units. There are special rules in the Australian tax legislation which determine how to calculate the cost base of a capital asset in certain circumstances. For example, PFMF Unitholders will need to take into account any tax deferred distributions received and returns of capital in respect of those PFMF Units during the period in which they held their PFMF Units.

The reduced cost base for each PFMF Unit is also calculated under special rules contained in the Australian tax legislation. For example, in calculating the reduced cost base of a PFMF Unit the PFMF Unitholders will need to take into account any tax free distributions received in respect of those PFMF Units in addition to any returns of capital and tax deferred distributions they received.

The capital proceeds in respect of the disposal of the PFMF Units should consist of the cash received under the Offer.

#### *Capital gains and losses*

The capital gains and losses of a taxpayer in an income year are aggregated to determine whether there is an overall net capital gain for that taxpayer. Any net capital gain is included in the taxpayer's assessable income and will be subject to tax at the applicable tax rate. A CGT discount may be available to reduce the tax payable on certain capital gains.

PFMF Unitholders who are individuals, trusts or complying superannuation funds and who have held their PFMF Units for at least 12 months before the disposal of the PFMF Units may be entitled to the CGT discount. The CGT discount is 50% for PFMF Unitholders who are individuals or trusts, and 33 1/3% for PFMF Unitholders who are complying superannuation funds.

Any capital losses made by a PFMF Unitholder can only be offset against other capital gains made in the same or future income years. Depending on the particular circumstances of the PFMF Unitholder there may be special rules which apply to determine if a capital loss can be offset against capital gains derived in current or future income years. PFMF Unitholders should seek their own professional taxation advice in relation to these rules.

#### (c) **Transfer taxes**

No stamp duty is payable by you on the transfer of your PFMF Units.

No GST applies to the transfer of your PFMF Units pursuant to the Offer.

## 7.2 **Taxation implications to the PFM Fund**

The PFM Fund has carried forward revenue losses. Whilst the Offer should not of itself cause the PFM Fund to fail the 50% stake test in Schedule 2F of the Income Tax Assessment Act 1936 (i.e. broadly, the requirement that the same individual unitholders hold more than 50% of the PFMF Units), a combination of the Offer and voluntary redemptions by PFMF Unitholders may result in the PFM Fund failing the 50% stake test. If the PFM Fund fails the 50% stake test, it will not be able to claim tax deductions for bad debts or utilise any of the carry forward revenue losses to shelter current or future taxable income. As a result, remaining PFMF Unitholders may be subject to additional tax liability.

## **8 ADDITIONAL INFORMATION**

### **8.1 Disclosure notices**

Since 1 January 2008, the disclosure notices referred to in Attachment 1 have been lodged with ASIC or made available on Balmain Trilogy's website (<http://www.balmaintrilogy.com.au/news.aspx>) in relation to the PFM Fund.

### **8.2 Interests in PFMF Units**

As at the Offer Date, PJPL has:

- (a) a relevant interest in no PFMF Units; and
- (b) as far as the PJPL Directors are aware, no voting power in the PFM Fund.

### **8.3 Acquisitions and disposals of PFM Fund in previous 4 months**

During the four months before the Offer Date, neither PJPL nor as far as the PJPL Directors are aware, any of its associates, has acquired or disposed of PFMF Units or had any other interest in PFMF Units or provided or agreed to provide any consideration for PFMF Units.

### **8.4 Benefits to PFMF Unitholders**

During the four months before the Offer Date, neither PJPL nor as far as the PJPL Directors are aware, any of its associates has given or offered to give or agreed to give a benefit to another person that was likely to induce the other person, or an associate, to accept this Offer or to dispose of PFMF Units being a benefit that was not offered to all PFMF Unitholders.

### **8.5 No benefit to Trilogy, Balmain or Balmain Trilogy directors and employees.**

PJPL will not make any payment or give any benefit to any current Trilogy, Balmain or Balmain Trilogy director or employee as consideration for or in connection with the distribution of, or conditional upon the outcome of, this Offer other than an Offer to acquire PFMF Units on the same terms as offered to all other PFMF Unitholders.

### **8.6 Transfer of PFMF Units acquired under the Offer**

There is no existing agreement by which any PFMF Units that are acquired by PJPL under the Offer will, or may, be transferred to any other person.

### **8.7 Agreements for increased price or other benefits**

There is no existing agreement for the acquisition of PFMF Units by PJPL, or, as far as the PJPL Directors are aware, by any of its associates.

The reference to an "existing agreement" includes an agreement under which a person from whom PFMF Units have been, or are to be, acquired and who would receive additional consideration or other benefits in relation to the sale of those PFMF Units.

#### **8.8 No escalation agreements**

Neither PJPL nor, as far as the PJPL Directors are aware, any associate of PJPL has entered into any escalation agreement under which the consideration paid for any PFMF Units is or may be increased.

#### **8.9 Holdings and actions by associates of PJPL**

Associates of PJPL may have voting power (as defined in the Corporations Act) in the PFM Fund, such as voting rights arising by virtue of an associated entity or person acting as a broker, nominee, agent or trustee in the ordinary course of business or arising from discretionary powers with respect to the securities portfolios of the clients of those associates. Any such holdings or voting power are not considered in the statements made in this Offer Booklet, including without limitation those statements contained in Section 8.3, 8.4, 8.7 and 8.8.

## 9 DEFINED TERMS AND INTERPRETATION

### 9.1 Definitions

In this Offer Booklet, unless the context otherwise requires:

**30 June 2010 NTA per PFMF Unit** means the unaudited net tangible assets of the PFM Fund per PFMF Unit as at 30 June 2010 (prior to any further statutory impairment of the assets for accounting purposes) based on the financial position of the PFM Fund as reported by Trilogy in the PFM Fund Explanatory Memorandum.

**31 December 2009 NTA per PFMF Unit** means the audited net tangible assets of the PFM Fund per PFMF Unit as at 31 December 2009 reported by Trilogy in the PFM Fund 31 December 2009 Accounts.

**Acceptance Form** means a valid acceptance form for the transfer of PFMF Units (a form of which accompanies this Offer Booklet).

**Announcement Date** means 23 August 2010.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the securities exchange operated by ASX Limited.

**Balmain** means Balmain NB Corporation Limited.

**Balmain Trilogy** means Balmain Investment Management Pty Limited ACN 136 832 945, the manager of the PFM Fund.

**Business Day** means a day other than a public holiday in NSW, a Saturday or a Sunday.

**Cashflow Forecast Model** means the cashflow forecast model prepared by Balmain Trilogy relating to the PFM Fund and as referred to in the Independent Expert's Report.

**Closing Date** means 5:00 pm on 30 September 2010 or:

- (a) if PJPL extends the Closing Date, the Extended Closing Date; or
- (b) if PJPL withdraws the Offer by sending a withdrawal document to PFMF Unitholders in accordance with the Corporations Act (provided that the Offer must be open for a minimum period of one month), the date on which the Offer is withdrawn.

**Conditions** means the conditions to which the Offer is subject being those conditions set out in Attachment 2.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Current Value Redemption Facility** has the same meaning as in the PFM Fund Explanatory Memorandum.

**Extended Closing Date** means the date, if any, to which PJPL extends the Closing Date being a date after 30 September 2010 and before 1 January 2011 by giving written notice to Trilogy (and requesting Trilogy to publish on its website).

**Government Agency** means ASIC and any type of government agency, body, instrumentality or official.

**GST** has the meaning give to that term in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

**Independent Expert's Report** means the independent expert's report dated 27 July 2010 prepared by PKF Corporate Advisory (East Coast) Pty Ltd in respect of the PFM Fund.

**Investment Management Agreement** means the investment management agreement dated 28 March 2010 between Trilogy (in its capacity as the responsible entity of PFMF) and Balmain Trilogy under which Trilogy appoints Balmain Trilogy to manage and invest the assets of PFMF.

**Investigation, Management and Funding Agreement** means the investigation, management and funding agreement dated 28 April 2010 between IMF (Australia) Ltd and Trilogy (in its capacity as the responsible entity of PFMF) under which Trilogy appoints IMF (Australia) Ltd to provide investigation management services and funding to conduct those investigations.

**Litigation Recovery Entitlement Unit** has the same meaning as in the PFM Fund Explanatory Memorandum.

**Maximum Offer Consideration** means approximately \$113.1 million being the amount calculated as the Offer Cap of 435 million PFMF Units multiplied by the Offer Price per PFMF Unit of 26 cents.

**MS SSF III** means Morgan Stanley Real Estate Special Situations Fund III, LP as described in Section 3.2.

**New Strategy** means the new strategy proposed to be implemented by Balmain Trilogy in relation to the PFM Fund as outlined in the PFM Fund Explanatory Memorandum.

**NTA per PFMF Unit** means the net tangible assets of the PFM Fund divided by the number of PFMF Units on issue.

**Offer** means each offer to be made for PFMF Units on the terms set out in Section 6 and to which this Offer Booklet relates, and **Offers** has a corresponding meaning.

**Offer Booklet** means this document.

**Offer Cap** means 435 million PFMF Units being the maximum number of PFMF Units that PJPL is offering to acquire under the Offer.

**Offer Date** means the date of the Offer, being 23 August 2010.

**Offer Line** means the telephone hotline operated by PJPL or its affiliates in relation to the Offer and which can be contacted on 1800 707 861 (toll free for callers within Australia) or on +61 2 8256 3387 (for callers outside Australia).

**Offer Period** means the period commencing on the Offer Date and ending on the Closing Date.

**Offer Price** means 26 cents per PFMF Unit which is offered to PFMF Unitholders on the terms set out in the Offer.

**PFMF Investor Committee** means the investor committee of the PFM Fund.

**PFM Fund** means the Pacific First Mortgage Fund ARSN 088 139 477.

**PFM Fund 31 December 2009 Accounts** means the audited interim accounts of the PFM Fund for the 6 months ending 31 December 2009.

**PFM Fund Explanatory Memorandum** means the explanatory memorandum for the PFM Fund Notice of Meeting.

**PFM Fund Notice of Meeting** means the notice of meeting dated 5 August 2010 issued by Trilogy convening a meeting of PFMF Unitholders to be held on 1 September 2010 subject to any postponement.

**PFM Fund Unaudited 30 June 2010 Accounts** means the unaudited financial information as reported in the PFM Explanatory Memorandum in relation to the financial year ending 30 June 2010.

**PFMF Unitholder** means a holder of PFMF Units.

**PFMF Unitholder Meeting** means the meeting of PFMF Unitholders convened by the PFM Fund Notice of Meeting.

**PFMF Units** means issued units in the PFM Fund.

**PJPL** means Project Junior Pte Ltd, a Singaporean private company owned by MS SSF III and that is offering to acquire PFMF Units pursuant to the Offer.

**PJPL Commitment Letter** means the commitment letter given by MS SSF III to PJPL pursuant to which MS SSF III commits, subject to the satisfaction or waiver by PJPL of the Conditions, to provide up to \$113.1 million in funding to PJPL for the Offer.

**PJPL Directors** means Robert Naso and Willem de Geus being the directors of PJPL as at the Offer Date.

**Register Date** means 23 August 2010.

**Resolution 1** means the proposed resolution of PFMF Unitholders identified as Resolution 1 in the PFM Fund Notice of Meeting.

**Resolution 2** means the proposed resolution of PFMF Unitholders identified as Resolution 2 in the PFM Fund Notice of Meeting.

**Resolution 3** means the proposed resolution of PFMF Unitholders identified as Resolution 3 in the PFM Fund Notice of Meeting.

**Rights** means all accretions and rights attaching to or arising from PFMF Units (including, without limitation, all rights to receive dividends and to receive or subscribe for PFMF Units, notes, options or other securities and all other distributions or entitlements declared paid or issued in respect of PFMF Units).

**Trilogy** means Trilogy Funds Management Limited ACN 080 383 679, the responsible entity of the PFM Fund.

## 9.2 **General interpretative provisions**

In this Offer Booklet unless the contrary intention appears:

- (a) unless otherwise indicated, words and phrases have the same meaning and interpretation as in the Corporations Act;
- (b) where a word or phrase is given a defined meaning in this Offer Booklet, any other part of speech or grammatical form in respect of such word or phrase has a corresponding meaning;
- (c) unless otherwise specified, references to \$, dollars and cents are references to the currency of Australia; and
- (d) references to time are references to Australian Eastern Standard Time.

All attachments to this Offer Booklet form part of this Offer Booklet.

**10 AUTHORISATION AND APPROVAL**

This Offer Booklet was approved by a unanimous resolution passed by the PJPL Directors.

Dated: 23 August 2010

**SIGNED FOR AND ON BEHALF of PROJECT  
JUNIOR PTE. LTD. by**

A handwritten signature in black ink, appearing to read "Robert D. M.", with a stylized flourish at the end.

## Attachment 1

### PFM Fund disclosure notices

Date	Announcement
9 August 2010	Pacific First Mortgage Fund Meeting of Unitholders has been called for Wednesday 1 September 2010 <ul style="list-style-type: none"> <li>• Letter from the Joint CEO's</li> <li>• Notice of Meeting and Explanatory Memorandum</li> </ul> Independent Expert's Report
9 August 2010	The Pacific First Mortgage Fund (PFMF) is now in a position to commence paying redemptions to its 12,000 Unitholders. BalmainTRILOGY - Press Release
12 July 2010	Pacific First Mortgage Fund Meeting of Unitholders scheduled for August 2010 BalmainTRILOGY - Web Update
31 May 2010	Clarification Statement BalmainTRILOGY - Web Update
26 May 2010	Current Value Redemption or \$1.00 Redemption BalmainTRILOGY - Web Update
18 May 2010	Pacific First Mortgage Fund Meeting of Unitholders Update BalmainTRILOGY - Web Update
28 April 2010	PFMF Regulatory Guide 45 - Disclosure (March 2010) BalmainTRILOGY - Web Update
20 April 2010	Clarification Statement BalmainTRILOGY - Web Update
13 April 2010	pfmfnews, Issue #1 April 2010 BalmainTRILOGY - Web Update
7 April 2010	Unit Holder Questions BalmainTRILOGY - Web Update

Date	Announcement
1 April 2010	Property Sale by Balmain Trilogy as cash recoveries gain pace BalmainTRILOGY - Web Update
30 March 2010	Delay of Communications BalmainTRILOGY - Web Update
30 March 2010	PFMF Investor Committee - Meeting #2 Report BalmainTRILOGY - Web Update
30 March 2010	Balmain Trilogy to resume investor payments Source: The Australian Financial Review
24 March 2010	Interim Financial Report BalmainTRILOGY - Web Update
23 March 2010	Centrelink Assistance for PFMF investors BalmainTRILOGY - Web Update
22 February 2010	PFMF Regulatory Guide 45 - Disclosure Under ASIC BalmainTRILOGY - Web Update
12 February 2010	PFMF Investor Committee - Meeting #1 Report BalmainTRILOGY - Web Update
28 January 2010	Pacific First Mortgage Fund gets loan extended BalmainTRILOGY - Web Update
8 January 2010	Tide of woe for Pacific fund investors Source: The Australian Financial Review
4 January 2010	Asset Review of the Pacific First Mortgage Fund BalmainTRILOGY - Web Update
23 December 2009	Asset Review Update BalmainTRILOGY - Web Update
26 November 2009	Independent Compliance Audit Report - Year Ending June BalmainTRILOGY - Web Update
26 November 2009	Pacific First Mortgage Fund - Accounts and Update BalmainTRILOGY - Web Update
17 November 2009	PFMF Annual Financial Report 2009 BalmainTRILOGY - Web Update
17 November 2009	Asset review reveals need for Pacific First Mortgage Fund write-down BalmainTRILOGY - Web Update

Date	Announcement
22 October 2009	Statement of Taxable Income - Financial Year End 2009 Notification BalmainTRILOGY - Web Update
22 October 2009	Extension of Lodgement of Annual Accounts BalmainTRILOGY - Web Update
22 October 2009	Progress to Date BalmainTRILOGY - Web Update
11 September 2009	Unitholder Update and Hardship Applications BalmainTRILOGY - Web Update
3 September 2009	Assistance for City Pacific First Mortgage Fund pensioners Australian Government - Press Release
20 August 2009	The \$630m Coup D'etat Source: BRW, 20-26 August 2009
12 August 2009	Centrelink Assistance for Investors in the (City) Pacific First Mortgage Fund previously managed by City Pacific Ltd BalmainTRILOGY - Web Update
11 August 2009	BalmainTRILOGY and the (City) Pacific First Mortgage Fund BalmainTRILOGY - Web Update
5 August 2009	Balmain Trilogy takes on first mortgage Source: The Australian Financial Review
4 August 2009	City Pacific loses control of mortgage fund Source: Herald Sun
4 August 2009	Fund loss forces CityPac to call receivers Source: goldcoast.com.au
25 July 2009	Saviour embarks on a mission impossible Source: The Australian Financial Review
22 July 2009	City Pacific to wave white flag Source: The Australian
22 July 2009	Amicable start to Trilogy takeover Source: goldcoast.com.au
21 July 2009	CityPac lets go of flagship fund Source: Sydney Morning Herald
21 July 2009	City Pacific loses fund to Trilogy Source: Money Management

Date	Announcement
20 July 2009	Court upholds BalmainTRILOGY vote to become manager of City Pacific First Mortgage Fund BalmainTRILOGY - Press Release
16 July 2009	Trading halted as CityPac awaits its fate Source: Sydney Morning Herald
15 July 2009	City Pacific Limited - Suspension from Official Quotation City Pacific Limited - ASX Release
14 July 2009	The status of your fund BalmainTRILOGY - Web Update
8 July 2009	BalmainTRILOGY remain committed BalmainTRILOGY - Web Update
30 June 2009	City Pacific seeks to frustrate unit holders BalmainTRILOGY - Web Update
25 June 2009	BalmainTRILOGY Replaces City Pacific BalmainTRILOGY - Press Release
12 June 2009	BalmainTRILOGY response to CP <ul style="list-style-type: none"> <li>• Legal Response to CP</li> <li>• Letter to Unitholders</li> <li>• Question and Answers</li> </ul>
12 June 2009	\$39m restructure of bank debt keeps City Pacific off ASIC radar Source: goldcoast.com.au
11 June 2009	Anger and mistrust have only just begun Source: The Australian Financial Review
4 June 2009	Indigo Group's loan failure could hurt CityPac Source: goldcoast.com.au
4 June 2009	Property chief's troubled group a millstone for Indigo Source: The Australian
3 June 2009	Grocon survives CP1 saga by handing back shares Source: The Australian
2 June 2009	Indigo suspended due to problem loan Source: The Australian Financial Review
2 June 2009	CityPac fights 'defective' call on FMF control Source: goldcoast.com.au
2 June 2009	City Pacific claims mortgage fund takeover bid is void Source: The Australian

Date	Announcement
29 May 2009	Trilogy vows no fire sale at Cove Source: Sydney Morning Herald
29 May 2009	CP1 forced to renegotiate with bank after failed sale Source: goldcoast.com.au
25 May 2009	BalmainTRILOGY meeting set for June 25 BalmainTRILOGY - Press Release
25 May 2009	BalmainTRILOGY meeting set for June 25 <ul style="list-style-type: none"> <li>• Press Release</li> <li>• Notice of Meeting Accompanying Letter</li> <li>• Notice of Meeting and Explanatory Memorandum</li> </ul> <p>Letter to Unitholders from CPFMF Unit Holders Action Group Steering Group, Queensland</p>
25 May 2009	Vote cleared for control of City Pacific fund Source: Money Management
18 May 2009	CPFMF Half Year Financial Report (31 December 2008) City Pacific Limited - ASX Release
14 May 2009	CityPac holders cry foul at ASIC's inaction over complaints Source: The Australian
13 May 2009	Trilogy Capital launches a takeover for City Pacific Source: The Australian
8 May 2009	Balmain-Trilogy plans for First Mortgage Fund almost ready Source: goldcoast.com.au
5 May 2009	City Pacific First Mortgage Fund Unitholder Meeting 1 May 2009 City Pacific Limited - ASX Release
27 April 2009	City Pacific First Mortgage Fund half year guidance update City Pacific Limited - ASX Release
20 April 2009	Corporate failures enjoying good life Source: news.com.au
18 April 2009	Deluge of data for CityPac investors Source: The Australian

Date	Announcement
16 April 2009	Important update to management fees BalmainTRILOGY - Press Release
2 April 2009	Trilogy joins forces with Balmain for tilt at City Pacific First Mortgage Fund BalmainTRILOGY - Press Release
31 March 2009	Not happy City Pacific Source: Business Spectator
12 March 2009	Members request to call a meeting of Unitholders to consider resolutions proposed by the requisitioning members.
7 January 2009	Assistance for City Pacific First Mortgage Fund City Pacific - Press Release
13 March 2009	Members request to call a meeting of Unitholders to consider resolutions proposed by the requisitioning members.
21 August 2008	Letter to Investors and Fund Update (all dated 15 August 2008) - "Directors approve convertible preference share offer of up to \$1 billion to provide Unitholders with liquidity".
15 August 2008	Letter to Investors and Fund Update (all dated 15 August 2008) - "Directors approve convertible preference share offer of up to \$1 billion to provide Unitholders with liquidity".
29 July 2008	Letter to Investors and Fund Update (all dated 28 July 2008) - "Ongoing market volatility drives extended redemption deferral for First Mortgage Fund".
28 July 2008	Letter to Investors and Fund Update (all dated 28 July 2008) - "Ongoing market volatility drives extended redemption deferral for First Mortgage Fund".
7 March 2008	Issue of Supplementary Product Disclosure Statement announcing withdrawal of the Product Disclosure Statement dated 1 December 2007 ( <b>PDS</b> ) and that the Fund will cease accepting new investments via the PDS.

## Attachment 2

### OFFER CONDITIONS

The Offer is subject to the fulfilment or waiver by PJPL of the following conditions.

1. **Minimum acceptance**

During, or at the end of, the Offer Period, PJPL has a relevant interest in at least 10% (by number) of all of the PFMF Units.

2. **PFMF Unitholders approving Resolution 1**

The PFMF Unitholders having validly passed Resolution 1.

3. **No adverse actions or determinations by Government Agencies**

(a) Before the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (ii) no action or investigation is instituted by any Government Agency; and
- (iii) no application is made to any Government Agency (other than by PJPL) or commenced by a Government Agency,

in consequence of, or in connection with, the Offer, which restrains, prohibits or impedes or otherwise materially adversely impacts upon, the making of the Offer or the rights of PJPL in respect of its capacity as a PFMF Unitholder in respect of the PFM Fund and the PFMF Units to be acquired under the Offer or otherwise, or seeks to require the divestiture by PJPL of any PFMF Units, or the divestiture of any assets of the PFM Fund.

(b) Before the end of the Offer Period, no Government Agency:

- (i) makes any finding, preliminary or final decision, order or decree against the PFM Fund or Trilogy or fines or otherwise penalises the PFM Fund or Trilogy; or
- (ii) institutes any action or investigation in respect of the PFM Fund or Trilogy; or
- (iii) announces, commences or threatens any action or investigation in respect of the PFM Fund or Trilogy,

which has or is likely to have a material adverse financial effect (as defined in paragraph 4(i)) on the business, assets, liabilities, financial or trading position, profitability or prospects of the PFM Fund or Trilogy.

4. **No material adverse change**

None of the following occurs:

- (a) an event, change, condition, matter or thing;

- (b) information is disclosed or announced by Trilogy concerning any event, change, condition, matter or thing; or
- (c) information concerning any event, change, condition, matter or thing becomes known to PJPL (whether or not becoming public),

which (either alone or in combination with any other item falling within the above) will have, could reasonably be expected to have or which evidences that there has been a material adverse financial effect on the business, assets, liabilities, financial position and performance, material contracts (taken as a whole) or profitability of the PFM Fund or Trilogy from that existing prior to the Announcement Date.

For the purposes of this condition 4:

- (i) a "**material adverse financial effect**" is a reduction in the PFM Fund's annual net profit after tax by more than \$1,000,000 but does not in any case include:
  - (A) any change in the rates of corporate taxation, interest rates, commodity prices (including the price of any products traded by Trilogy) or general economic conditions;
  - (B) any change of law or accounting policy;
  - (C) any event, occurrence or matter to the extent that it was actually known by PJPL prior to the Announcement Date, including as a result of its due diligence enquiries;
  - (D) any event, occurrence or matter to the extent it is fairly disclosed in the due diligence materials provided to PJPL or has been otherwise fairly disclosed in writing to PJPL before the Announcement Date; or
  - (E) any reduction in the PFM Fund's annual net profit after tax to the extent that it arises due to asset revaluations or impairments.
- (ii) PJPL shall not be taken to know of information concerning any event, change, condition, matter or thing involving or relating to Trilogy or any of its subsidiaries before the Announcement Date, unless PJPL knows (having regard to the information actually known by PJPL and the information fairly disclosed in writing by Trilogy to PJPL or its representatives, including in its public filings with ASIC before the Announcement Date), of the extent or magnitude of the event, change, condition, matter or thing.
- (iii) Condition 4 does not apply in relation to particular information, if that information was disclosed in writing by Trilogy to PJPL or its representatives (including in a public filing with ASIC) before the Announcement Date provided that the disclosure was fair (including, without limitation, in relation to the extent and magnitude of the event, change, condition, matter or thing, as the case may be) and was not incomplete, incorrect, untrue or misleading.
- (iv) Condition 4 is deemed to be breached if:

- (A) PJPL becomes aware prior to the end of the Offer Period, that Trilogy has materially breached its continuous disclosure obligations under the Corporations Act; and
- (B) had PJPL known of the information giving rise to such breach prior to the Announcement Date it would have had a material adverse effect on the price at which PJPL would have offered under the Offer.

**5. No material disposals**

The PFM Fund does not, other than in the ordinary course of business, as disclosed in writing to PJPL or its representatives prior to the Announcement Date or with the prior written consent of PJPL (not to be unreasonably withheld), dispose, offer to dispose or agree to dispose of one or more assets, companies or businesses (or an interest in one or more assets, companies or businesses) for an amount less than 90% of the consideration estimated by Trilogy or Balmain Trilogy to be obtained for the disposal and disclosed to PJPL in the Cashflow Forecast Model before the Announcement Date.

**6. No material change of control rights**

The directors of Trilogy issue during the Offer Period a public statement (**Statement**) which confirms that except to the extent to which such rights or entitlements have been fairly disclosed in writing to PJPL prior to the Announcement Date, between the Announcement Date and the end of the Offer Period (each inclusive), there is no person having any rights or being entitled to have any rights as a result of any change of control event in respect of the PFM Fund (including PJPL acquiring PFMF Units) or its assets, to:

- (a) terminate or alter any contractual relations between any person and the PFM Fund (for this purpose an alteration includes without limitation an alteration of the operations of a contract, whether or not that altered operation is provided for under the existing terms of the contract);
- (b) require the termination, modification or disposal (or offer to dispose) of any interest or asset, corporate body, joint venture or other entity; or
- (c) accelerate or adversely modify the performance of any obligations of the PFM Fund under any agreements, contracts or other legal arrangement,

provided that this condition 6 will only be breached to the extent that the relevant right or entitlement in paragraphs 6(a), (b) or (c) if exercised or carried out would have a material adverse financial effect (as defined in paragraph 4(i)) on the PFM Fund or any of its assets.

The Statement is not materially varied, revoked, or qualified during the Offer Period.

**7. No legal proceedings**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation or arbitration proceedings or other legal proceedings against Trilogy or the PFM Fund are commenced, instituted or threatened to be commenced, other than as fairly disclosed in writing to PJPL or its representatives before, or which is in the public domain as at, the Announcement Date, and which if successful would

reasonably be expected to have a material adverse financial effect (as defined in paragraph 4(i)) on Trilogy or the PFM Fund.

**8. No prescribed occurrences**

None of the following events happens after the Announcement Date but before the end of the Offer Period (except as fairly disclosed in writing to PJPL or its representatives prior to the Announcement Date) without the prior written consent of PJPL:

- (a) any of the PFMF Units are converted into a larger or smaller number;
- (b) Trilogy resolves to reduce the issued PFMF Units in any way;
- (c) Trilogy enters or resolves to enter into a buy-back agreement in relation to PFMF Units;
- (d) Trilogy issues PFMF Units or grants an option over PFMF Units, or agrees to make such an issue or grant such an option;
- (e) Trilogy issues, or agrees to issue, convertible notes in relation to the PFM Fund;
- (f) Trilogy disposes, or agrees to dispose, of the whole, or a substantial part, of the PFM Fund's business or property;
- (g) Trilogy charges, or agrees to charge, the whole, or a substantial part, of the PFM Fund's business or property;
- (h) the PFMF Unitholders resolve to wind up the PFM Fund;
- (i) the shareholders in Trilogy resolve to wind up Trilogy;
- (j) a liquidator or provisional liquidator is appointed in respect of Trilogy or the PFM Fund;
- (k) a court makes an order for the winding up of Trilogy or the PFM Fund;
- (l) an administrator of Trilogy, or the PFM Fund is appointed under section 436A, 436B or 436C of the Corporations Act;
- (m) Trilogy executes a deed of company arrangement; or
- (n) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Trilogy or the PFM Fund.

**9. Record date for Litigation Recovery Entitlement Unit**

Provided that the Offer Period does not exceed 6 weeks, the record date for the Litigation Recovery Entitlement Unit does not occur before the Closing Date.

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