

MEDIA RELEASE

**New CBA loan agreement allows redemptions
for Pacific First Mortgage Fund unitholders
and BT Cap Performance Fees at \$30m**

26 August 2010

New CBA Loan Agreement

Balmain Trilogy (BT) has struck a deal with the CBA that will allow redemptions to start flowing to Pacific First Mortgage Fund unitholders in October in accordance with our new strategy.

The loan agreement with CBA replaces the existing facility to the Fund. The new loan has been extended for two years to 31 August 2012, and will be moved from CBA's "intensive care" loan management unit to its mainstream banking operations.

Andrew Griffin, the joint chief executive of BT, said: "The agreement with CBA removes the last hurdle to restarting the redemption program that will begin with a \$35m redemption in October, and is targeting to deliver redemptions to unitholders of \$295 million before October 2012.

"Although the facility is subject to documentation, agreement between BT and the CBA regarding the essential terms of the loan was finalised on 25 August 2010.

"Once the documentation is bedded down, redemptions can begin as we proposed in our new strategy for the Fund."

Mr Griffin said that he was "pleased and relieved" that BT had been able to reduce the debt over the last year from more than \$90 million to \$30 million, which was the catalyst for CBA being prepared to offer new terms. "No further debt reductions from the \$30 million will be required until the debt exceeds 10% of the gross assets of the Fund which means that that the bulk of the Fund's current liquidity of \$42m can be used for redemptions immediately."



Rodger Bacon, the joint chief executive of BT, said: “This new loan agreement is a major achievement for unitholders, and demonstrates that BT can continue to meet important milestones.

“It means that at the unitholder meeting scheduled for 1 September, we can now focus on achieving the new strategy for the Fund, secure in the knowledge redemptions can start being paid.”

BT Caps Performance Fees at \$30m

Balmain Trilogy (BT) has been advised by unitholders of “material” being distributed to unitholders that BT expects to earn \$80m from Performance Fees in the event that the New Strategy is approved by unitholders at the upcoming unitholder meeting.

The Performance Fee is proposed to be calculated as 20% of any increase in the net value of the Fund above \$415,000,000 indexed at the RBA Cash Rate. The introduction of a Performance Fee, combined with the reduction in the base management fee by 33% from 1.5% to 1.0%, provides for better alignment of goals between the manager and the unitholders and a ‘win-win’ situation if BT commits significant, additional resources to ‘develop’ certain assets of the Fund.

For the sake of clarity the estimate of \$80m is wildly inaccurate. To avoid unnecessary confusion in refuting this outrageous claim Trilogy and Balmain Trilogy wish to advise that it will be amending the Performance Fee calculations to ‘cap’ the maximum Performance Fee payable to Trilogy at \$30m. ie. Trilogy will only ever earn a maximum Performance Fee of \$30m. This ‘cap’ will be entrenched in the constitution, so that it cannot be removed without the consent of a special resolution of unitholders.

The figure of \$30m is at the very upper range of the likely value of the Performance Fee resulting from potentially achievable improvements in the net value of the Fund (indexed at the RBA Cash Rate) which Trilogy and Balmain Trilogy believes it can generate for the Fund from its expanded role of ‘development’ manager of the Fund. If this capped fee of \$30m were to be the outcome for BT then unitholders would receive cash returns in excess of the indexed value of the Fund of not less than \$120m or 13.5 cents per share.

The base management fee will still be reduced by 33% to 1%pa (from the current 1.5%pa).

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