

MEDIA RELEASE

**Immediate Liquidity Offer of 26 Cents a Unit
for Pacific First Mortgage Fund Unitholders**

24 August 2010

As a result of an offer from a Morgan Stanley sponsored real estate fund, unitholders in the Pacific First Mortgage Fund (**Fund**) now have the choice to exit the Fund in the next few weeks. Project Junior Pte Ltd (**PJPL**), a company owned by Morgan Stanley Real Estate Special Situations Fund III (**MSSSFIII**), is offering to buy up to 49% of units in the Fund at 26 cents a unit.

Unitholders will be mailed their offer booklet shortly. The key features of the offer are:

- The offer is conditional on Resolution 1 (for unitholders to approve the New Strategy) being passed at the meeting of Unitholders on 1 September 2010; and,
- PJPL receive acceptances of their offer of at least 10% (but limited to no more than 49%) of the units by the offer closing date of 30 September 2010.

Accepting Unitholders can expect to receive payment for any units tendered into the offer ten business days after the earlier of the closing date, or the waiver of all bid conditions as disclosed in the offer booklet.

The Fund's Investment Manager, BalmainTRILOGY (**BT**), is neither recommending nor rejecting the offer, nor do they have any relationship or agreement with PJPL or Morgan Stanley, other than the Morgan Stanley offer entity PJPL being a potential unitholder in the Fund should the offer succeed.

Andrew Griffin, the Joint Chief Executive of the Fund, said: "BT has been actively pursuing the strategy of maximising Unitholders' choices as to how they participate in the future of the Fund.

"The New Strategy for the Fund, upon which Unitholders will vote at the upcoming meeting, offers considerable choice to unitholders as to their future participation in the Fund. Until now Unitholders have not had the opportunity to exit the Fund after

redemptions were frozen in July 2008. The PJPL offer now provides Unitholders with this additional choice.”

Griffin said PJPL was selected as the preferred institution as no other entity approached by BT was prepared to provide a liquidity offer to unitholders, given the “interesting history” of the Fund under the stewardship of the previous manager. He added that none of Trilogy, Balmain nor BT were aware of any other substantial mortgage fund where the Responsible Entity and/or Investment Manager had procured an institutional liquidity offer, similar to the PJPL offer, to acquire units in the fund.

Rodger Bacon, the Joint Chief Executive, said BT had hoped the PJPL offer would be higher than 26 cents a unit.

“We would have preferred a higher offer for unitholders or alternatively, one that excluded the legal entitlement, however we would like to thank Morgan Stanley Real Estate Special Situations Fund III for their preparedness to make the offer at all, where no other institution was willing.

“Morgan Stanley Real Estate Special Situations Fund III has invested considerable time and resources to make this offer. Whilst BT believes that the offer does not represent the true longer term value of the units, we believe that, following consultation with the Investor Committee, there are three primary reasons why it is in the best interests of the unitholders to receive the PJPL offer:

- the PJPL Offer gives every Unitholder more choice;
- the PJPL Offer enables Unitholders to access immediate liquidity whether or not they are eligible for hardship relief under the New Strategy; and,
- It is not compulsory. Unitholders can either accept or reject the PJPL Offer at their own election.

“Whilst the timing of the offer, coming as it has during the notice period of the upcoming unitholders meeting, is by no means ideal, some Unitholders may welcome the opportunity to sell all or a part of their investment. Despite our view that the offer is below the long term true value of the units, we have no desire to impede unitholders from having a choice to exit part or all of their investment if they so choose,” Mr Bacon said.

Anthony Kingsley, an Executive Director of Morgan Stanley Real Estate said that Morgan Stanley Real Estate Special Situations Fund III, through its subsidiary PJPL, was pleased to make what he believed to be the first institutional liquidity offer for a frozen mortgage fund in Australia’s history, and provide Unitholders with a rapid cash exit option.

“Morgan Stanley was approached by BT some months ago to consider the possibility of providing a liquidity option for Unitholders in the Fund who wished to immediately exit their investment.

“After conducting due diligence, we are announcing today a straightforward cash offer at 26 cents per unit, that will be paid to Unitholders who accept the offer in a matter of weeks subject to the offer conditions being met or waived. The pricing reflects the history of the Fund under the previous manager, and the complex mix of loan assets within the Fund, some of which we believe have considerable uncertainty attached to their eventual realization.”

“Our offer is not designed to take control of the Responsible Entity, Trilogy, or the Fund. Consequently the offer is capped at a 49% acceptance level. In addition, Morgan Stanley Special Situations Fund III is a fund that typically seeks to acquire non-controlling interests in investments. We see our role as Unitholders of the Fund as no different to existing Unitholders and given our fiduciary relationship with our own investors we will demand a very high standard of performance from the manager. To that end, we support the resolution to be put to members on September 1 to adopt the New Strategy as proposed by BT and will stand shoulder to shoulder with existing Unitholders to ensure that the manager performs properly.” Mr Kingsley said.

Andrew Griffin said that while BT was neither recommending acceptance nor rejection of the offer, it is important Unitholders understand that the New Strategy targets to return \$295 million to Unitholders by October 2012 (or 33 cents per unit), with the first instalment of \$35 million (or 4 cents per unit) to be paid in the December quarter of this year. The residue of the Fund’s assets is targeted to be sold with proceeds distributed to Unitholders in the two years after that. These projections exclude any recovery from legal proceedings against entities that have caused losses to the Fund. The PJPL offer at 26 cents represents a significant discount to these projected redemptions.

“Unitholders who wish to participate in the New Strategy of the Fund needn’t respond to this offer,” Andrew Griffin said.

“More importantly we hope that the Hardship Redemptions (which form part of the New Strategy) will alleviate the need for any unitholder to accept the PJPL offer due to reasons of personal financial hardship. First and foremost we want to protect these unitholders,” Andrew Griffin said.

Unitholders can call a dedicated PJPL Offer hotline from today:

- 1800 707 861 (toll free for callers within Australia); or on
- +61 2 8256 3387 (for callers outside Australia)

Editors Notes:***About Morgan Stanley***

Morgan Stanley (NYSE: MS) is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth management services. The Firm's 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.

About Morgan Stanley Special Situations Fund 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.

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